

THE WEATHER — PARIS: Monday, overcast, Temp. 2-4 (26-46). LONDON: Monday, cloudy, possible rain, Temp. 2-7 (13-45). CHAMBERY: Saturday, Temp. 3-4 (10-37). PRAGUE: Monday, partly cloudy, Temp. 3-4 (18-42). NEW YORK: Monday, partly cloudy, Temp. 3-1 (20-55).

ADDITIONAL WEATHER DATA — PAGE 22

No. 30,819

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

INTERNATIONAL Herald Tribune

PARIS, MONDAY, MARCH 22, 1982

Established 1887



President Duarte meets reporters in a San Salvador hotel bar.

Duarte Calls Slayings Of Newsmen Accidental

By Loren Jenkins
Washington Post Service

SAN SALVADOR — President José Napoleón Duarte has said he "perfectly satisfied" that the shooting deaths of four Dutch newsmen last Thursday were accidental.

In an impromptu press conference at the Camino Real Hotel Saturday, the president defended the government's official report on the killing. Television journalists at the press conference told him they feared that security forces were trying to intimidate journalists.

Mr. Duarte insisted that the four Dutch journalists were killed when they were "moving in a guerrilla area with guerrilla protection." He promised to order government forces to respect the foreign press. The president also said

he will conduct another investigation, in which journalists will be able to participate.

Saying that the government had not known the Dutch newsmen were in the area of the conflict, Mr. Duarte asked, "If you want to go where we cannot protect you, how can we protect you?"

The press conference followed the release of the government's report on its one-hour autopsy on the four journalists and an unidentified fifth man. Judicial officials said the autopsies showed no powder burns. Such burns would indicate that the men were shot at short range, as some who doubt the government's account have alleged.

The Dutch ambassador to Mexico traveled to El Salvador to make contact with government forces to respect the foreign press. The president also said

(Continued on Page 2, Col. 2)

French Socialists Suffer a Setback In Local Elections

From Agency Dispatches

PARIS — France's Socialist government, in power for nine months, suffered a setback Sunday when conservative parties emerged as clear winners in national local elections.

Official results announced by the Interior Ministry said the right and center-right parties had won 1,154 local canton seats out of 2,029 at stake in the two rounds of voting that ended Sunday.

The Socialists, their junior Communist partners and other leftist parties took 781 seats.

There were 94 seats still being counted with results from France's far-flung territories, extending from the South Pacific to the Caribbean, expected on Monday.

The Socialist Party leader, Lionel Jospin, told a television interviewer: "The left lost the elections. The right-wing forces were looking for revenge, mobilized better and the more dynamic side won the day."

The results reflected a clear shift in public opinion since the Socialists won the presidency and an absolute majority in the National Assembly with landslide electoral victories.

Earlier partial returns showed the worst support for Communists in years. They captured only 12.1 percent of the vote compared with the 18 percent to 20 percent they have normally won since World War II. The Socialists scored the biggest single party win with 36.5 percent of the vote but it was not enough to offset the Communists' gains.

With 931 of the cantons counted, the left in the government coalition took 50.39 percent of the vote against 48.03 percent for conservative forces, which held a slight advantage after the first-round vote.

The French Interior Ministry reported a record turnout of 68.4 percent compared with 67.2 percent in the first round.

In the first round, rightist parties polled 49.9 percent of the votes compared to 49.6 percent for the left. In that round, 966 seats were filled under the two-round electoral system that gives the seat to the candidate polling more than 50 percent of the votes. Where no candidate had a majority, a runoff was scheduled.

Provincial government council elections are held in half of France's cantons every three years. After the 1979 elections, conservatives controlled 51 of the 95 councils.

The new cantonal representatives will vote Wednesday in France's 95 departments, or county, assemblies for presidents who have been given new powers through a major Socialist reform.

Another blow for the Socialists was the defeat of Communications Minister Georges Fillion, forced into an embarrassing run-off. Seven other government ministers standing for seats were elected, including Agriculture Minister Edith Cresson.

The government was hurt last week when the dollar rose to a record 6.26 francs Thursday. It settled down to 6.24 francs Friday when the market closed only after a massive intervention of the Bank of France that cost an estimated \$1.5 billion in reserve funds.

The government also has had to contend with a controversy over the death of a Social Security director in Marseilles. René Lacet, an anti-Communist, died of gunshot wounds two weeks ago after he was fired by a government that includes four Communist Cabinet ministers. Initial reports said the death was a suicide but authorities are still investigating.

In an election that could have repercussions in the capital and weaken the 12-year governing coalition of Social Democrats and Free Democrats, Mr. Schmidt's party won 36.5 percent, down 5.7 percent from the last Lower Saxony election of 1978 and down 10.4 percent from its vote in the state in the 1980 nationwide election, provisional final results showed.

The Social Democrats lost votes to both the Free Democrats and the Greens, an ecological party that won seats in the state parliament for the first time.

The chairman of the Social Democratic Party, Willy Brandt, said in Bonn that the results spelled a "clear defeat" and were "disappointing." The leader of the Christian Democratic Party, Helmut Kohl, said it was clear that "the real loser of this election is Helmut Schmidt."

The Free Democrats won 5.9 percent of the vote and 10 seats.

OPEC Agrees To a Sharp Cut In Oil Output

By Steven Rattner
New York Times Service

VIENNA — The Organization of Petroleum Exporting Countries, moving to reduce the worldwide surplus of oil and bolster prices, has agreed to cut production by about 700,000 barrels a day. It was the first formal production agreement by the 13 OPEC members.

The reduction agreed upon Saturday was greater than had been expected and included a cut of 500,000 barrels a day in Saudi Arabia's production ceiling, to 7 million barrels a day.

The action, which takes effect on April 1, would reduce OPEC's daily output to 17.5 million barrels a day from its estimated current production of 18.2 million. Only three years ago, OPEC was producing 31 million barrels a day.

"This is not the end of the story," said Mana Said al-Oteiba, president of OPEC and oil minister of the United Arab Emirates. "We at OPEC will be ready to go on the same line if our decision today is not enough to meet the market problem."

Such tough talk, combined with the electrifying effect of the Saudi announcement, represented an intensive effort to convince the consuming world that the group had to defend its price structure, based on a \$34-a-barrel charge for Saudi Arabian light crude oil. That price was reaffirmed at the meeting.

Sheikh Ahmed Zaki Yamani, the Saudi oil minister, indicated to reporters that the \$34 price would probably stand until at least the end of 1982.

The results of the two-day session, revealed at a crowded news conference, came after statements Friday night that OPEC would cut

overall production to 18 million barrels a day. Although the group decided to cut deeper, to 17.5 million barrels, it was uncertain whether the move would bolster oil prices. Experts said that it would take some time before it became clear if the decrease was large enough.

The oil ministers indicated that they believed the slump in open market prices has resulted in a major reduction in the inventories of oil companies. In that case, they argue, temporary belt tightening by OPEC will be sufficient to rule out the glut.

A number of other experts contend that the slump has been caused mainly by a fall in demand, heightened by conservation efforts and the growth of non-OPEC energy sources. They say OPEC will find it practically impossible to maintain its prices during the coming months.

"We're just going to have to wait and see whether this is enough to wait off inventories," said a Gulf Oil Corp. official who was here observing the meeting.

Many experts considered the session the most critical ever for the cartel. In addition to the decrease in production, OPEC took a number of less important but symbolically significant steps to establish its resolve. Among them were the following:

• The meeting was converted Saturday morning from a "consultative" to an "extraordinary" session, meaning that the decisions had the full weight of OPEC behind them.

• A committee made up of Mr. Oteiba and ministers from Algeria, Indonesia and Venezuela was ap-

(Continued on Page 2, Col. 6)



Sheikh Ahmed Zaki Yamani, the Saudi oil minister, announces Riyadh's decision to trim production by 500,000 barrels a day.

Schmidt's Party Slips In Lower Saxony Vote

From Agency Dispatches

HANNOVER, West Germany

— Chancellor Helmut Schmidt's Social Democrats suffered heavy losses Sunday in the first of four West German state elections this year that together could be crucial for the balance of political power in Bonn.

The government was hurt last week when the dollar rose to a record 6.26 francs Thursday. It settled down to 6.24 francs Friday when the market closed only after a massive intervention of the Bank of France that cost an estimated \$1.5 billion in reserve funds.

The government also has had to contend with a controversy over the death of a Social Security director in Marseilles. René Lacet, an anti-Communist, died of gunshot wounds two weeks ago after he was fired by a government that includes four Communist Cabinet ministers. Initial reports said the death was a suicide but authorities are still investigating.

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The chairman of the Social Democratic Party, Willy Brandt, said in Bonn that the results spelled a "clear defeat" and were "disappointing." The leader of the Christian Democratic Party, Helmut Kohl, said it was clear that "the real loser of this election is Helmut Schmidt."

The Free Democrats won 5.9 percent of the vote and 10 seats.

The Greens won 6.6 percent, and 11 seats, the projection showed.

In 1978, neither the Free Democrats, which forms the government coalition with the Social Democrats, nor the Greens cleared the minimum 5 percent required to gain seats in the Lower Saxony legislature, or state parliament.

Political commentators and the conservatives blamed the Social Democrats' poor showing entirely on federal politics. Mr. Schmidt's coalition government and above all his party have looked increasingly divided on key economic and defense issues.

Dissillusionment with Mr. Schmidt on the left has driven many former Social Democrats to the Greens, whose success Sunday was due to a strong showing in big cities, university areas and the region around Göttingen on the East German border, where state authorities plan to build a nuclear waste dump.

The computer indicated that the Christian Democrats would get 50.7 percent of the vote and 87 seats in the 171-seat state parliament. It was the first time in the history of the state that a party gained more than 50 percent of the vote in a state parliament election.

(Continued on Page 2, Col. 7)

7 Arabs, 3 Israelis Hurt In West Bank Protests

From Agency Dispatches

TEL AVIV — Seven Arabs were wounded by gunfire Sunday as Israeli troops clashed with Palestinian demonstrators, Israel Radio said.

Three Israeli soldiers were injured by rock-throwing demonstrators, and two tourists were hurt when their bus was hit with stones, the military said.

The military command confirmed that two Palestinians suffered gunshot wounds in riots in Nablus, one was wounded in Halhoul and two were shot during unrest in the Jalazoun refugee camp north of Ramallah. Israel Radio said an additional two Arabs were wounded at the refugee camp.

West Bank mayors decided Sunday to extend their general strike another two days. The mayors said the strike, which was to have ended Sunday, is being extended to "express our opposition to Israeli repressive measures."

On Saturday, an Arab youth was shot and killed and several persons were injured when Israeli troops clashed with stone-throwing demonstrators in Al-Bireh.

Membership in such professional associations is more important throughout the East Bloc than in the West. The groups are used as channels through which governments dispense privileges and prestige to cultural figures, as well as financial assistance such as pensions, financial grants, and subsidized vacations.

Polish intellectuals saw the move as the first in what they expect to be a purge of the leadership of several cultural groups. A similar purge of journalists, writers, artists, and other associations occurred in Czechoslovakia after the Soviet intervention in August, 1968, as part of a return to tight control over potential sources of dissent.

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Arab mayors to retain his post, he withdrew the resignation.

The general strike was called to protest last Thursday's dismissal of Al-Bireh's mayor, Ibrahim Tawil, and the dissolution of his town council by the occupation forces.

The mayors have said the action, unprecedented in 14 years of Israeli occupation, is the first step in a campaign to unseat them all. Elected in Israeli-supervised elections in 1976, the mayors support the Palestine Liberation Organization and oppose Israel's so-called autonomy plan for the West Bank and Gaza.

Mayor Bassam al-Shaka of Nablus said in an interview that the Israelis were likely to dismiss the other mayors. "But we hope outside pressure will make them think twice," he said.

Mr. Shaka said the mayors may resign collectively "if the Israelis continue their iron-hand policy."

The civilians were appointed by Israel to take over some administrative tasks performed by army officers in the occupied territories. The mayors have refused to cooperate with them, asserting that they are part of a plan to perpetuate Israeli rule.

Army units set up road blocks at the entrances to Nablus, Ramallah and Al-Bireh, banning residents from leaving or entering between 8 a.m. and 4 p.m. A total curfew was imposed in the Balata and Askar refugee camps after demonstrators blocked roads with burning tires and pelleted troops with stones.

The army used tear gas and later fired bullets in the air and at the ground to disperse the crowds. Shops and factories were closed in most West Bank towns. The strike call received only partial support in smaller towns and was barely observed in the country.

Unrest spread to Gaza, where the army arrested about 40 students.

Scientists have sought evidence of early mammals in Antarctica for more than 60 years.

In a 1931 book, geologist Lawrence M. Gould, who was second in command to Adm. Richard E. Byrd's second polar expedition, wrote that he would "rather go back to Antarctica and find a fossil marsupial than three gold mines."

The discovery was made

March 7 on Seymour Island at the northeast tip of Antarctica by Sankar Chatterjee of Texas Tech University. He was one of

Jawbone fragments of a squirrel-like animal found on Antarctica provide support for the theory of continental drift.

Antarctica Fossil Bolsters Continental Drift Theory

By Philip J. Hilts
Washington Post Service

WASHINGTON — Scientists have found bones — believed to be 50 million years old — of a land mammal in Antarctica, thereby providing the long-sought animal evidence to bolster the theory of continental drift.

The National Science Foundation, which sponsors all U.S. Antarctic work, announced the discovery Saturday. It called the find "one of the most significant scientific discoveries in recent years."

One of the long-standing puzzles of evolution has been the connection between the isolated, but obviously related, colonies of marsupial mammals in South America and Australia. If these mammals originated in the Americas, as seems likely, how then did they reach Australia?

The discovery of the three jaw pieces and several tooth fragments of a squirrel-like animal supplies an important piece of evidence for two theories that the mammals migrated to Australia across Antarctica when that continent was warm and habitable, and that the continents of South America, Antarctica and Australia were once joined.

Marsupial animals and a variety of plants have been found in Antarctica before, showing that the land was once habitable. But until now no one has found evidence of the Antarctic marsupial that has figured in the two theories.

The particular variety of marsupial found in Antarctica is of an extinct family called Polydopidae, a species that lived in forests and ate leaves and berries.

The theory of continental drift, which has become the dominant view of geologists, holds that the continents were at one time connected. The continents, it is now believed, lie on movable plates of the earth's crust. Over the past 150 million years the plates have broken up, drifted apart and in some cases collided again to form the present earth.

INSIDE

Budget Budgets

In Washington, after days of posturing and turmoil, the major elements of a budget compromise are beginning to emerge. A news analysis, Page 3.

The Broker Raids

French government officials reportedly have told American executives that they regret any hostile implications that may have been drawn from recent raids on two American brokerages in Paris. Page 5.

Focus on Japan

A special supplement on

U.S. Releases More Data on Role of Outsiders in Salvador

By John M. Goshko
Washington Post Service

WASHINGTON — The State Department has made public 11 pages of nonclassified information whose "cumulative weight" it cited by the department as proof that Nicaragua and Cuba are supplying and directing the leftist guerrillas in El Salvador.

The department did not include the classified intelligence material that U.S. officials have said was the basis for a statement by the secretary of state that the United States had "overwhelming and irrefutable" evidence of outside command and control over the guerrillas.

Dean Fischer, the department spokesman, said Saturday: "We cannot and will not make this intelligence available publicly. Were it to be released, the United States government would lose access to critical information and might well risk the lives of some brave people who believe it is important that the government of the United States know what is going on."

"A government that does not

keep secrets does not receive them," he said.

The information released Saturday consisted largely of assertions that, in most cases, contained no details about how it was obtained.

New Material

Some of the material was new. It contained the names of Nicaraguan ships and the location of airfields in Nicaragua allegedly used in smuggling arms into El Salvador and it described a number of incidents in recent months that the department cited as evidence of these arms turning up in the hands of guerrillas in El Salvador and Guatemala.

The rest of the information was originally contained in the "white paper" on Nicaraguan involvement made public by the department a year ago, or material that has been described in testimony before Congress by such officials as Secretary of State Alexander M. Haig Jr. and Thomas O. Enders, assistant secretary for inter-American affairs.

The purpose of this paper is

thus not to produce new revelations but to describe the general pattern of outside support for El Salvador's guerrillas," Mr. Fischer said.

Among the highlights were these accusations:

- Beginning in December, President Fidel Castro of Cuba ordered an increase in arms shipments to El Salvador in an attempt to disrupt the elections scheduled to take place there Sunday. These shipments were said to have reached "unprecedented peaks" after December.

- Since 1980, Salvadoran guerrillas have been trained in Nicaragua and have traveled between Managua and Havana on a daily air shuttle whose passenger load is so heavy that a ticketing system is now required."

- In April and July, Guatemalan forces captured caches of guerrilla weapons, including some U.S. weapons originally shipped to U.S. units during the Vietnam War. Some of the vehicles captured with the weapons bore recent customs markings from Nicaragua.

On March 3, Mr. Haig told the

House Foreign Affairs Committee that the State Department had "overwhelming and irrefutable" evidence of Nicaraguan involvement in El Salvador.

The administration has held briefings on its sensitive intelligence for select groups in Congress and for prominent former officials. Two weeks ago, it invited reporters to an intelligence briefing on aerial reconnaissance photographs that it said proved a major military buildup in Nicaragua.

The administration's problem of proving outside involvement in El Salvador has stemmed from inability to reconcile the need to give information and the resistance of the intelligence community that is concerned about endangering its sources.

It is an open secret that much of the intelligence on which the administration has based its judgments comes from intercepts of radio communications between Nicaragua and El Salvador. While that can be ascertained by reading U.S. newspapers, the intelligence community has prevailed in its insistence that a high degree of secrecy be maintained about the nature and source of the information.

That practice was maintained in the disclosures made Saturday. The documents included a demotion of the organization and key personnel of the leftist forces fighting the U.S.-backed Salvadoran government and a list of comments from members of Congress and former officials who saw some of the classified information and pronounced it convincing.

But the main part was devoted to "Cuban and Nicaraguan Support for the Salvadoran Insurgency."

Angry Message

SAN SALVADOR (Reuters) — El Salvador has sent Nicaragua a message accusing the Sandinista government of hostile actions and denouncing what it called Nicaragua's unprecedented arms buildup as a leading threat to peace and stability in Central America.

The accusation was contained in a diplomatic note made public Sunday.

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Mrs. Kirkpatrick warned, however, that "if there is to be a discussion of this question, we shall have a contribution to make towards that discussion." She meant that she will present the U.S. contention that the Soviet Union and Cuba are supplying arms to the Sandinista government that, in turn, is allegedly forwarding them to the guerrillas in El Salvador.

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The government said that the journalists were with guerrillas who, after spotting an army patrol, opened fire, initiating a 40-minute exchange that resulted in eight dead, including the Dutchmen.

The government said three of the dead, apparently guerrillas, were buried at the scene. Two of the unarmed journalists died in the initial shooting, the government said, while two others ran down a ravine. They were cornered by the sergeant who led the patrol, the government reported, and he shot them with his M-16 automatic rifle from 25 yards.

While the autopsy report said

bishop said journalists have the right to go to the original sources for their information.]

The autopsy report said that three of the four journalists had been shot in the head and that the fourth had been shot in the heart and lungs.

According to the report, signed by Dr. Julio Alberto Chavarria, one of the journalists died of multiple gunshot wounds that left his skull and brain completely destroyed; another was hit by two bullets in the chest that struck his heart and lungs, a third was shot in the left eye and left leg, and the fourth was shot twice in the face.

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While the autopsy report said

there were no powder burns on the bodies, one ballistics expert in San Salvador, who did not want to be identified, said an M-16 fired from more than three feet would leave only powder traces, not burns. Such traces could be detected only by technical tests of the victim's clothing, the expert said. Such tests apparently were not made by the government.

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The government said that the journalists were followed by a vehicle when they left the capital, sources said. Earlier, the four were questioned by security forces.

Some observers have speculated that the four might have been set up by the security forces in an attempt to intimidate other journalists seeking contact with guerrillas.

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West German Suspects a Trap

[A West German journalist said in Managua Saturday night that he believed the Dutchmen fell into a trap and were killed by paramilitary forces. Reuters reported.]

[The journalist, Armin Wertz, said at a press conference that he drove the Dutchmen to a spot where they were to meet men assumed to be leftist guerrillas. Mr. Wertz said that he "did not like the place" where he dropped off the Dutchmen because it was "too open, there were no trees and it was visible" from the watchtowers of the El Paisano military base.

[The West German, who said he works for Stuttgart Zeitung and Radio Free Berlin, said that the fifth man mentioned in the autopsy report was one of his contacts. Mr. Wertz said the government did not mention another of his contacts, a 12-year-old boy who led the journalists to the meeting.]

Following the deaths, several television teams have had runs-in with security forces in the country-side.

Saturday, two American freelance television reporters, working with ABC, were stopped by armed men outside their hotel as they were leaving for the airport. The two said that they were not threatened but that their driver was questioned closely. They said they would take a later flight and be accompanied to the airport by an escort from the U.S. Embassy.

More than 300 foreign journalists are in El Salvador to cover next Sunday's national elections, and extreme rightists have expressed deep resentment of the press coverage.

The day the four journalists were killed, a self-styled "death squad" issued a list of 34 foreign and Salvadoran journalists as targets for assassination. The four Dutch journalists were not on the list.

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Dutch Burn U.S. Flag

AMSTERDAM (AP) — Demonstrators protesting the killing of the four journalists lit memorial candles in front of the U.S. Consulate in Amsterdam and burned an American flag outside the U.S. Embassy in the Hague Saturday.

In the Hague, several hundred protesters carried a petition to the embassy urging an end to U.S. support for the Salvadoran government. When they were unable to hand it in because no U.S. officials were available, the protesters burned the flag.

In Amsterdam, protesters piled flowers at the foot of crosses set up for the journalists in front of the consulate and then lit candles.

Most of the consulate's windows were shattered Friday night in a more violent demonstration.

In an editorial, the Netherlands' largest newspaper, De Telegraaf, citing El Salvador's record of repression, said "nobody can have trust in the official statements of a dictatorial junta."

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The crowd outside the church shouted, "Lech, Lech, give us back Lech," and "Victoria, Victoria," according to witnesses. Police did not intervene.

Danuta Walesa, Mr. Walesa's wife, was clearly angered and disappointed by her husband's enforced absence. She claimed that Stanislaw Cioski, the minister of trade unions, had personally pledged that her husband would be allowed to attend the baptism.

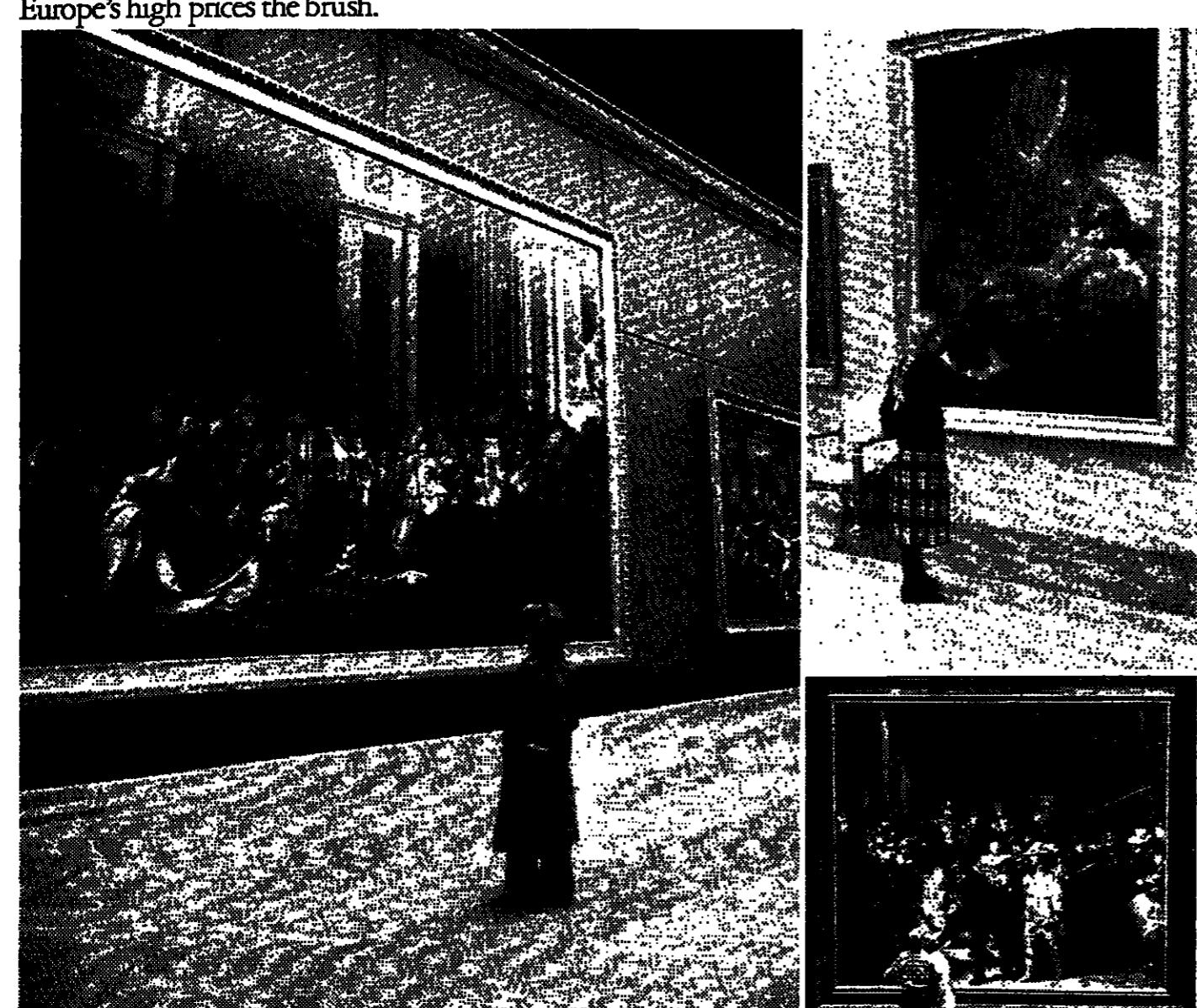
Witnesses said there was a discreet police presence on roads leading to the church, a temporary wooden structure on the site of an old airfield.

But they said there were no big patrols in the immediate vicinity of the church. Residents, contacted from Warsaw by telephone, said Gdansk was quiet.

"Everyone raised their right hands when the godparents recited the baptismal oath," a nun who was present said. "I have never seen anything quite like it. Its symbolism was not lost on anybody."

Give the folks back home a picture of Europe and save enough on the call to paint the town.

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with dollars, not local currency, when you get your next home or office phone bill.

Save these other ways. Telephone Company Calling Card and collect calls may be placed in many countries. And where they are, the hotel surcharges on such calls are usually low. Or, you can avoid surcharges altogether by calling from the post office or from other telephone centers.

Save nights & weekends. Always check to see whether the country you're in has lower rates at night and on weekends. Usually the savings are considerable. Now you have the whole picture.



Japanese workers demonstrating Sunday in Hiroshima to urge an end to nuclear arms race. (UPI Photo International)

Thousands Protest Nuclear Arms at Hiroshima Rally

New York Times Service

TOKYO — In the largest anti-nuclear rally held in Japan, a crowd estimated at 200,000 by organizers and at 95,000 by police gathered Sunday at Hiroshima to call for a halt to the nuclear arms race and the abolition of nuclear weapons.

But the main part was devoted to "Cuban and Nicaraguan Support for the Salvadoran Insurgency."

Angry Message

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and control prices if there was a "severe" fuel emergency.

Mr. Reagan did not want the powers even though he would not be required to use them.

The administration regards the controls on oil and petroleum products that were in effect from 1972, until Mr. Reagan lifted them, shortly after taking office, as largely responsible for causing gasoline lines and producing a regulatory nightmare.

Disciplined Stand

In New York, John H. Lichblau, president of the Petroleum Research Foundation, said many oil experts had not expected the cartel members to be "so disciplined."

Right now, Mr. Lichblau said, "the world will probably not need more than OPEC is willing to produce." But he added that "within a very short time — maybe by mid-year — more oil than the 17.5 million barrels will be needed."

The OPEC ministers also agreed to reduce the price of the most expensive oil by as much as \$1.50 a barrel. This would affect almost exclusively the output of Nigeria, Algeria and Libya, whose production has been under the most intense competition from other sources, notably Britain's North Sea.

This price reduction was not viewed as representing a substantial change in the OPEC price structure or as likely to have a appreciable effect on consumers.

Precise details on how the production cut would be shared were not released officially, but OPEC sources indicated that Venezuela, the United Arab Emirates and Indonesia, in addition to Saudi Arabia, would make the bulk of the reductions.

The Social Democrats dropped from 72 to 63 seats.

In the 1978 elections, the Christian Democrats, led by the state premier, Ernst Albrecht, won 48.7 percent of the vote, the Social Democrats won 42.2 percent and 4.2 percent went to the Free Democrats.

The Hesse election could be the most decisive in national terms since the local Social Democratic-Free Democratic alliance, mirroring the lineup in Bonn, is the last to survive at state level.

The fourth state election this year, in October, is in the conservative stronghold of Bavaria.

WORLD NEWS BRIEFS

Vietnam Attacks Cambodia Villages

Washington Post Service

BANGKOK — Vietnamese troops, pressing their current dry-season offensive in Cambodia, have overrun at least two strongholds of the main non-Communist resistance group battling Hanoi's three-year-old occupation of the country, diplomatic and resistance sources said Sunday.

The Vietnamese thrust against a cluster of four villages collectively known as Sokh Sann represents a potentially major blow to the Khmer People's National Liberation Front, led by former Cambodian Premier Son Sann. The villages are located in southwestern Cambodia across the border from Thailand. In recent weeks the Vietnamese have pushed farther north to take several positions from Communist Khmer Rouge guerrillas who make up the bulk of the Cambodian resistance.

After the main attack on Sokh Sann began with heavy shelling March 16, at least 3,000 villagers took refuge on the Thai side of the border, Western diplomatic and military sources said.

The ruling 10-party coalition National Front has an electoral mandate until 1983, but party sources said Mr. Mahathir called an early election to seek his own mandate. He succeeded the retiring Datuk Hussein Onn last year. The ban on public rallies is a restriction imposed after rallies during the 1969 general election erupted into Malay-Chinese riots.

The criticism of Mr. Walesa, regarded by the Communist establishment before the crackdown as a moderate, was the personal attack the Polish media has made on him, observers said.

Authorities refused to allow Western correspondents to travel to Gdansk for Sunday's christening. All accounts of events there were obtained by telephone.

"Lech, Lech"

The crowd outside the church shouted,

"Lech, Lech, give us back Lech,"

and "Victoria, Victoria,"

according to witnesses. Police did not

Election-Year Politics Bring Budget Standoff

White House and Both Political Parties Play for Time on a Compromise

By Martin Tolchin

New York Times Service

WASHINGTON — If the White House, the Democrats in Congress and the Republicans in Congress are to reach a budget compromise, "everybody's going to have to stick their feet in the water at the same time," says Rep. Richard B. Cheney of Wyoming, chairman of the Republican Policy Committee.

After days of posturing and turmoil, the main elements of a budget compromise began to emerge last week on Capitol Hill. They were almost lost amid the pronouncements of "stalemate" and "deadlock," the proliferation of alternative budgets and the chaos of conflicting strategies.

Election year politics had made everyone, the White House, the Democrats and the Republicans in Congress, afraid to make the first move, and the result was an elaborate standoff. Each deferred to the others, fearful of antagonizing constituents to no purpose with a cost-saving proposal or a new tax measure that might be rejected.

Each side feels time is on its side. The White House believes its hand would be strengthened by an expected economic upturn this spring, which would revive President Reagan's popularity and alleviate the need for either a tax increase or a reduction in military spending. Congressional Democrats and Republicans also feel they will get more concessions with the passage of time.

"Obviously the Democrats aren't going to negotiate until they think they're going to get something out of it," said Sen. Robert J. Dole, Republican of Kansas, chairman of the Finance Committee.

From the outset, congressional leaders of both parties were united in rejecting Mr. Reagan's budget because they considered the

projected \$91.5-billion deficit unacceptable high. Republicans especially could not conceive of campaigning for re-election after voting for the largest deficit in history.

At first, Republicans focused on reductions in social programs, including the benefits programs, while Democrats focused on military spending and new taxes. Now there is an emerging bipartisan consensus that all those

NEWS ANALYSIS

elements must go into any budget plan, but no one wants to go first, especially without the imprimatur of Mr. Reagan.

"There's a lot of paranoia left over from the scars of last year," said Rep. Leon E. Panetta, Democrat of California, recalling the Democrats' unsuccessful efforts to negotiate a compromise with the president on the budget and tax plans.

This year the Republicans have encountered the same problem. No sooner did Sen. Pete V. Domenici, the New Mexico Republican who is chairman of the Budget Committee, propose an alternative budget than Mr. Reagan went to Albuquerque to assuage such alternatives as "political documents designed for saving certain legislators' political hides rather than saving the economy."

The president's outbursts have done nothing to encourage the formulation of a bipartisan budget. Neither has his insistence that he will neither reduce military spending nor raise taxes.

But both Republicans and Democrats in Congress remain committed to the view that they must adopt a budget that sets spending priorities and targets. Consequently, they have

began behind-the-scenes negotiations in an effort to lower the deficit.

The sessions have been productive. The Democrats have indicated they would be willing to bite the bullet on Social Security and other benefit programs, provided the initiative came from the White House.

But the word from the White House is that any proposed reduction in Social Security benefits would have to come from Congress. Mr. Reagan was pilloried last year when he proposed a reduction in Social Security benefits. He now says any such reduction must await the recommendations of a study commission, expected to issue its report late this year.

Congressional Republicans, meanwhile, have agreed in principle on the need to cut the increase in military spending as well as on the need to raise taxes. But they, too, are reluctant to formalize their position without assurances that they will be accepted by the White House.

For the present, therefore, the Republicans continue to fear being attacked about the poor, while the Democrats fear being labeled soft on the military and overly eager to raise taxes. That is why David A. Stockman, director of the Office of Management and Budget, urged the Democrats to bring to the conference table "a solemn commitment that emergency measures taken for the good of all Americans in May will not become the objects of partisan exploitation in November."

Congressional Democratic leaders have pressed for a summit conference on the budget, with participants including Mr. Reagan and the bipartisan congressional leadership. Indeed, there is little hope of a compromise until all three parties get involved in negotiations, either over a conference table or indirectly.

Most people on Capitol Hill believe that could not happen until after next month's Easter recess.



Col. Jack R. Lousma, left, and Col. C. Gordon Fullerton, the shuttle astronauts, arriving in Cape Canaveral for launch.

Shuttle Countdown Is on Schedule For Today's Start of 7-Day Mission

Los Angeles Times Service

CAPE CANAVERAL, Fla. — Both the space shuttle Columbia and its latest set of astronauts were pronounced in good shape for a seven-day mission beginning Monday. The countdown was proceeding smoothly through the weekend, pointing toward a lift-off at 4 a.m.

Jack R. Lousma, 46, a Marine colonel and the commander for the third test flight of the Columbia, and C. Gordon Fullerton, 45, an Air Force colonel and the mission pilot, arrived at the Kennedy Space Center here Saturday. The two are scheduled to make 115 orbits before landing March 29 on the White Sands Missile Range in New Mexico.

"We've come a long way," said Col. Lousma, after flying a T-38 jet trainer aircraft from the Johnson Space Center in Houston to Cape Canaveral. "And we've got a long way to go. We're ready and Columbia is ready."

Col. Lousma and Col. Fullerton are to subject the Columbia and its systems to the most demanding tests yet. The craft will be turned toward and away from the sun, first to overheat its tail section and then, a day or so later, to undercool that same part. The purpose is to see how well equipment located there, including 6,000-pound thrust maneuvering engines, perform at temperature extremes that vary by more than 200 degrees.

Nominee for U.S. Envoy to Pretoria Favors 'Peaceful Change' in S. Africa

New York Times Service

WASHINGTON — Herman W. Nickle, President Reagan's nominee to be the U.S. ambassador to South Africa, has told a Senate confirmation hearing that he favored "peaceful change" in southern Africa, but his support of Reagan administration policies in the region drew criticism from two church-related groups.

He said a policy of "constructive engagement," using U.S. economic involvement as a means of influencing South Africa, was the preferred way of ensuring peaceful change in the region.

Willis H. Logan, director of the Africa Office of the National Council of Churches, questioned the Senate Foreign Relations Committee's expected to vote Tuesday on Mr. Nickle's nomination.

Mr. Nickle, a former TIME magazine correspondent and a former member of the board of editors of Fortune magazine, said Friday that revolutionary change in the region would provoke a "major crisis for our allies and ourselves."

But on Saturday, Mr. Treurnicht was able to demonstrate that his popular support in the Transvaal was far greater than the backing he had managed to muster within the apparatus of the governing party.

7,000 Rejoice at Rally Of New S. Africa Party To Assert Apartheid

By Joseph Lelyveld

New York Times Service

PRETORIA — Andries P. Treurnicht, the dissident Afrikaner leader who was removed from the governing National Party several weeks ago, drew one of the largest political crowds that white South Africa has seen in years for the founding during the weekend of his new political party.

If nonwhites were eventually admitted into a multiracial Cabinet under the constitutional proposals that are still being drafted, they would be in a position, Mr. Treurnicht pointed out, to give orders to white officials. "That is unacceptable," he thundered, to yet another standing ovation.

At least three times in his speech Mr. Treurnicht denied that there was anything racist about the new party's viewpoint. "There is a difference between love of your neighbor — that is imperative — and national suicide," he said.

The identity and security of whites were now being undermined, he warned, in response to pressure from overseas. Mr. Botha's supporters speak of the need to demonstrate a willingness to change so as to encourage the Reagan administration in its policy of "constructive engagement."

Mr. Treurnicht was clearly alluding to that argument when he pledged, "we are not going to be intimidated."

He was joined on the platform by Cornelius P. Mulder, his predecessor as Transvaal leader of the National Party, who was pushed out of the Cabinet and party by Mr. Botha after being implicated in a scandal involving a secret fund in the information department.

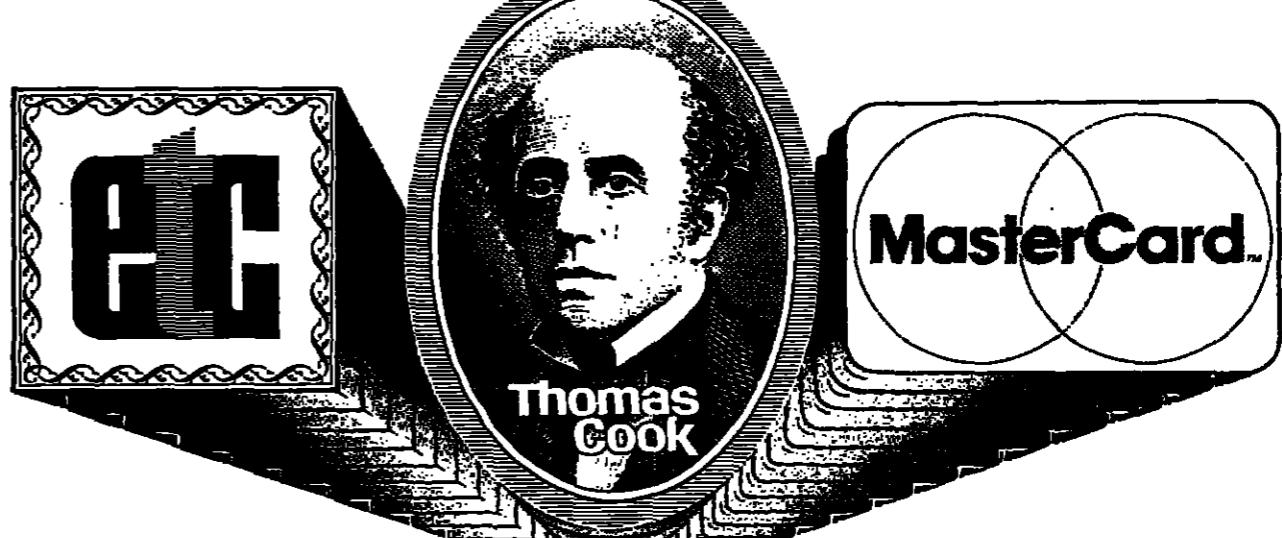
Mr. Mulder declared his readiness to merge a tiny political party he has since founded, the New Conservative Party, into Mr. Treurnicht's movement.

Speakers representing other right-wing splinter groups announced that they would do the same. The widow of Hendrik F. Verwoerd, the prime minister who fashioned the apartheid doctrines that Mr. Treurnicht now supports, sent a telegram of support. But former Prime Minister John Vorster, who backed Mr. Treurnicht against Mr. Botha on the issue of "power-sharing," did not attend.

Also missing was the leadership of the extremist Herstigte National Party, which won one-third of Afrikaner votes in the Transvaal in last year's general election.

The likelihood now is that there will be three strong rightist parties, including the governing party, competing for Afrikaner votes in the next election.

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U.S. Arms-Cost Estimate Rises \$114.5 Billion

By David Wood

Los Angeles Times Service

WASHINGTON — The ultimate cost for a major portion of the Reagan administration's military buildup is expected to be \$14.5 billion higher than estimated three months ago, the Pentagon has reported.

Defense Department officials said that the cost increase, for weapons to be purchased over the next 15 years, is already reflected proportionately in the administration's proposed \$257.5-billion budget for next year and in the projected \$1.5-trillion cost for the military over the next five years.

The officials, who briefed reporters Friday, put the eventual cost of 44 approved weapons systems at \$569.4 billion. They said this revised estimate took into account plans to purchase more weapons than were reflected in a similar report three months ago.

Congress requires reports four times a year on the estimated total costs for weapons programs. The new report was the result of the first complete annual programming and budgetary cycle by the

Reagan administration, and as such reflected the cost of increased purchases of planes, tanks, ships and missiles that the administration has ordered.

New Inflation Estimates

In addition, the report released Friday took into account new estimates of the effects of inflation during the next 15 years, which Pentagon economists expect to be higher than previously anticipated.

The officials, who briefed reporters on the condition that they not be identified, suggested that previous cost-estimate reports to Congress had not been completely accurate. "These reports are always more accurate around budget time," said an official, explaining the sudden increase in estimated costs since the last report was issued in December.

The increased purchases of weapons planned by the administration are substantial, and have not yet been detailed completely in public. According to the cost estimate released Friday, for example, the administration program calls

for purchases over the next 15 years of nine more guided missile frigates, 3,350 additional Tomahawk nuclear Cruise missiles, 930 more ground-launched nuclear Cruise missiles, and 630 more F-15 fighter aircraft.

If the study had not considered the effects of inflation and decisions to purchase more weapons, the officials said, the 15-year cost estimate for the 44 weapons systems would have shown an increase of \$9.4 billion, or 4.8 percent, during the past three months. They said this increase was mainly attributable to engineering changes in the weapons.

They said \$15.9 billion of the increase reported Friday was due to a decision to use a higher estimate of inflation than has been used in previous estimates. The new inflation estimates range 1 or 2 percent above previous evaluations for 1983-1987.

The officials said they were not ready to release new cost estimates of two of the most controversial weapons projects, the B-1 bomber program, previously estimated at \$39.8 billion, and two new nuclear refinements.

Californians Take Lead in Shunning Draft Call

By Jay Mathews

Washington Post Service

PASADENA, Calif. — David Wayne has gone further than most of his West Coast contemporaries in opposing draft registration.

He demonstrated in front of a Santa Cruz post office. He sent President Reagan a letter declaring his defiance of the law. He dropped out of college to devote more time to the draft-resistance effort.

But as one of California's more than 100,000 nonregistrants, Mr. Wayne has helped create a social-political phenomenon that has Selective Service officials here scrambling. As of last Oct. 1, only 51.2 percent

of 18-year-old men in the nation's most populous state had registered for the draft — far below a 77-percentage-point national average and lower than any other state or the District of Columbia.

"We may be a bunch of free, liberal thinkers here in California," said Keith Lamb, head of the state Selective Service program, after the figures, based on census and registration data, came out.

A spot-check at 20 Los Angeles post offices showed that since the publicity campaign got under way, the average daily registration has been climbing from 34 to 150 for each post office. But the state's registration rate is still expected to lag behind the nation's.

"I think California has a tradition of dissent," said Mr. Wayne, who faces a penalty of up to five years in jail and a \$10,000 fine.

Coming a close second to California in the percentage of nonregistrants was the District of Columbia, where only 53.9 percent of

the president's job performance and confidence in his economic program continued to slide. The latest poll, consisting of 1,545 individuals interviewed by telephone, showed 43 percent approving his handling of his job, down from 49 percent in January, and 42 percent disapproving. Fifteen percent had no opinion. Forty-eight percent of whites and 7 percent of blacks approved, two new lows for Mr. Reagan.

Almost a year ago, 67 percent of those polled approved the way Mr. Reagan was handling his job, but that figure, in the Times-CBS News Poll of April 1981, was almost surely affected by sympathy that followed the attempt on his life.

Mr. Reagan's approval level for job performance now is a shade below Jimmy Carter's after a nearly equal period in office, in April 1978, when it was 46 percent. Recent presidents have tended to lose approval just a bit faster than their predecessors.

A similar decline was found in public confidence that Mr. Reagan's economic program would eventually work. But here a majority still stuck with Mr. Reagan. 54 percent believed it would succeed, down from 60 percent in January.

Unhappiness with the economy, which grew most sharply among Republicans and high-income respondents, appeared to account for the bulk of the Reagan decline. Seventy percent of those polled identified some economic issue as the most important problem, with about half of them citing unemployment.

In February, the Leadership Conference on Civil Rights accused the administration of a systematic retreat on civil rights. It said the Justice Department had allowed its decisions to be corrupted by "undue political influence."

Mr. Reagan wants to require that minority groups prove that local authorities intended to discriminate, at least in places where there was no history of discrimination. Rather than merely to demonstrate that it would cause state taxes to be increased.

French Policeman Slain by Gunmen

The Associated Press

BAYONNE, France — A French policeman was mortally wounded and another seriously injured when their car was shot at by three gunmen over the weekend.

Police said the three men attacked the police car with submachine gun fire as it was leaving a hotel in St. Etienne-de-Baigorry, 40 kilometers (24 miles) from Bayonne, on a routine patrol early Saturday.

The police were members of a quad brought in recently to increase frontier surveillance in the Basque region.

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A Cloud of Doubt

The issue of yellow rain continues to bubble away, casting a miasma of doubt over Soviet adherence to treaties on chemical and biological warfare and eroding U.S. appetite for arms control treaties of any kind. But the Reagan administration, which defined the issue, has produced an astoundingly confusing and incomplete set of evidence.

Refugees from Laos and Cambodia have long reported being attacked by a variety of lethal chemicals, including one known as yellow rain. Last September the State Department announced it had at last identified the poisons in yellow rain as certain fungicide toxins. Facilities to manufacture them exist in the Soviet Union but not in Southeast Asia, the department asserted.

Since the State Department case rested on analysis of material from a single leaf and twig, further evidence was awaited with some eagerness. In November, four more samples of yellow rain were produced. Like the first, they contained fungal toxins in quantities measured in parts per million.

The department told a Senate committee that there was a perfect fit between the symptoms reported by the refugees and the known effects of the toxins in animals. Later, ABC News obtained a sample of its own.

What does this evidence amount to? The numerous reports from refugees strongly indicate that chemical weapons of some sort have been used. Assuming that there have been deaths, could the fungal toxins of yellow rain be the cause?

From what is known so far, the answer is almost certainly no. The match between the symptoms and known effects of the toxins is far from perfect. The toxins detected are present in such minute amounts that the possibility of a lethal dose being delivered to a

clothed human by yellow rain, as analyzed, seems virtually nil. If yellow rain is lethal, it must be because of other poisons it contains.

The fungus toxins so far identified account for a minute fraction of the samples. Of what does the other 99.9 percent consist? Why has the administration been unable to perform a more complete chemical analysis? To rest one's case on fungus toxins is to risk being unpleasantly surprised by whatever else the substance contains.

Is the examined yellow rain authentic? Since the State Department declines to say how it obtained its samples, the question is worth bearing in mind.

Is yellow rain a natural substance? Probably not, but the possibility cannot yet be entirely dismissed; the man-made chemical detected in the ABC sample could have come from the rubber stopper of the bottle in which it was carried.

Who could make yellow rain? Almost anyone, it would seem. But for what purpose? To perplex the State Department? As a kind of home-made poison against the rats that consume much of the rice crop in Southeast Asia?

In offering conclusions on the basis of half-digested evidence, the State Department risked placing itself in a false position as well as precluding discovery of whatever agents are indeed being used against the populations of Laos and Cambodia. The administration is about to release a report on chemical warfare that may clarify and extend what it knows about yellow rain. Should it fail to do so, the wise course would be to appoint a panel of outside experts competent to make sense of the available evidence, and direct the search for more.

THE NEW YORK TIMES.

More on the Anecdote

Mr. Reagan, right on schedule (within about a year of any president's inauguration, terminal disillusion with the news media sets in), let the television networks have it the other day. There have been Reagan expressions of despair concerning the print press recently as well. The newest complaint is that television is presenting a distorted, alarmist picture of the U.S. economic condition and, in the process, could slow the recovery.

Before the ritual, self-pitying shrieks of the media are heard, it would be nice if for once we could stay calm. It is the most natural thing in the world for a government whose every action is dogged and described by others — not always fairly and, if fairly, not necessarily flattering — to resent it, to see a better side, to rage at the fact that all the mitigating and complicating factors it knows about are not included. And where is it written, anyway, that presidents are not allowed to beef, and beef in public, about the quality of the coverage?

To us, the crucial questions concern the substance of what Mr. Reagan said, not his God-given, inalienable and uninteresting right to say it. This is because, at one level, the president was actually charging the media with doing precisely what the media and others have charged him with: arguing from anecdote, reaching large and sweeping conclusions on the basis of individual and possibly atypical cases. The president complained that a recent hard-luck-story fellow who appeared on television, complete with weeping wife and inconsolable children, had not in actual fact been victimized by the particular act of government that the program suggested he had been.

All of the foregoing only seems to prove what we regard as the newly emerging Rule of the Anecdote. Its invariables are these: The story itself will turn out to have some-

thing wrong with it. However, even though it does, some other story in which the identical set of things happens certainly exists and is certainly true and will certainly in time be dredged up. There is somewhere, in other words, at least one accurate and one inaccurate version of every anecdote the mind of man has yet to conceive, and this tells you absolutely nothing about how good or bad things are for large numbers of people not included in the anecdote.

Our guess is that people in Washington are always looking for a flesh-and-blood illustrative case because they are so sick of the bloodless statistics and trends and abstractions that are the stuff of political discourse. But the unpleasant fact is that those statistics and so on can tell the story. And in the general area the president was complaining about, they just happen to tell a story at variance with the one he wishes were true.

"It is news," Mr. Reagan asked, "that some fellow out in South Succotash sometime has just been laid off that he should be interviewed nationwide?" Unfortunately, it is not news — not news in the sense of being either distinctive or uncommon. They're being laid off in East Succotash, too, and North Succotash and West Baked Potato. There is, in short, much hardship proceeding from parts of the president's program, and much anxiety about worse things to come.

The president says he resents the implication that he is personally some sort of insensitive, uncaring man on this score. We believe him when he says he isn't. We also believe it is insensitive and uncaring to try to belittle the economic ordeal so many Americans are enduring. The only way to square these two beliefs is to hold yet a third — namely, that the president doesn't know how bad things are. He had better find out.

THE WASHINGTON POST.

Journalists in El Salvador

Journalists covering wars in far away places tend to insist they are neutral bearers of messages. In the conditions of an El Salvador at war, however, none of the local parties concedes that degree of detachment, nor the protection meant to go with it. The guerrillas who arranged to receive a Dutch television crew last Wednesday did not out of devotion to the journalistic calling but with an eye toward propaganda. There can be little doubt that the four members of the crew understood this. They were caught, Salvadoran authorities later reported, in a battle — conceivably in a battle they had meant to film — and they died. Few of the tens of thousands of Salvadoran victims of the war have been individually mourned abroad, but we of the journalistic fraternity may be forgiven for caring for our kind.

Except that, in El Salvador, such relatively simple explanations are never the whole of it. Who killed the journalists? It is characteristic of the layered reality of the place that they

could have been killed accidentally in battle, the guerrillas could have killed them to discredit the junta, or the authorities could have killed them in anger at the foreign press. A certain weight is given to the last possibility by the nature of some of the wounds suggesting close-up mutilation, and by the fact that the crew's producer had been interrogated by Salvadoran police after his name had allegedly been found on the body of a dead guerrilla. Many Salvadorans believe the international press is losing them the "war" for international opinion. Even as the Dutch affair was breaking, a rightist group circulated a "death list" of foreign and Salvadoran journalists.

As always, facts are the only good way to put down baseless rumors and suspicions. Facts on incidents like these are extremely hard to come by in El Salvador. Once again, the junta's responsiveness to legitimate foreign opinion will be under heavy test.

THE WASHINGTON POST.

March 22: From Our Pages of 75 and 50 Years Ago

1907: Vanishing Iranian Money

TEHRAN — The National Bank founders today had a long audience of the Shah on the subject of the loan. They promised to provide the money within a few days. In the debate on the finances at today's sitting of the Assembly, the president said the revenue from taxation many years ago, when everything was exceedingly cheap, amounted to £700,000. Now that the population had increased, commerce developed and prices risen, the revenue should have gone up to at least 20 times the former figure. What, he asked, was the explanation, and where did the money go? At this point the members of the new Cabinet, with the exception of the war minister, entered the hall and were presented to the Assembly.

1932: Wet, Drys Fight It Out

WASHINGTON — Legalization of 4 percent beer will be favorably reported by a subcommittee of the Senate manufacturer committee, it was revealed here. The subcommittee issued a stinging indictment against speakeasies, declaring they are breeders of contempt of law and that they would be driven from existence if the manufacture and sale of beer was legalized. The report also charged that prohibition had brought wholesale crime and drunkenness. Dry leaders are confident that the entire committee will defeat the report, but the wetts maintain that in view of the desperate financial plight of the government, many drys will vote for the measure as a means of producing revenue.

Questions on U.S. Policy Toward East Worry Hungarians

By Don Cook

BUDAPEST — Conversations with Hungarians these days, whether they are party leaders, government officials or private citizens, carry a note of anxiety and pessimism over the plight of their small Communist country caught in the East-West confrontation.

Hungary's worries pose questions for policy-makers in Washington to which no clear answers have emerged: Is it U.S. policy to treat the East bloc as one big Soviet satrapy, to be punished as a whole for what is going on in Poland? Or is it U.S. policy to recognize and exploit the divergences that exist within the bloc, and to avoid forcing the countries of Eastern Europe into more dependence on Moscow?

"So far, I will say that there has been no change in our direct relations with the United States as a result of the events in Poland," said Gyula Horn, deputy head of the foreign relations department of the Hungarian Socialist Workers' (Communist) Party and a key figure in directing Hungary's foreign policy. "Our relations are quite normal, and I do not see any change in the attitude of the West toward Hungary."

"But the atmosphere in which those relations are conducted is another matter. For example, Hungary has always paid its debts, and we are not in the same category at all as Poland. We believe we are a good credit risk, yet we see some circles acting more cautiously than before on the question of further loans, and we must conclude that they take their lead from governments."

The question of future Western loans and credits furnishes a test case on whether the United States plans to treat the East bloc.

There is justification for Hungarian concern, for it is clear that there are hard-line ideologies in Washington who are arguing that a tough policy on credits from the West against all East bloc countries will increase their economic demands on the Soviet Union, worsen the drain on the Soviet economy, further slow economic growth in the bloc and force restraints in Soviet behavior.

Moreover, Hungarians have recently seen what may well be an example of such a policy in the making. U.S. Secretary of State Alexander M. Haig Jr. made a much-publicized visit to Bucharest and delivered a plan on the back for the independent foreign policy line that is regularly proclaimed by Nicolae Ceausescu. But immediately after Haig returned to Washington, the Reagan administration turned down a Romanian application for credit for food purchases.

A test for Hungary will come when its application to join the International Monetary Fund and the World Bank comes before the IMF governors in Washington in the next two or three months. Romania is already an IMF member. Hungary's application constitutes an important step in its long, careful process of economic liberalization and normalization of monetary relations with the West.

Will the United States block the applica-

tion, in line with a policy of monetary sanctions against Eastern Europe? Some U.S. Treasury officials are prepared to recommend just that.

In a quiet but persistent way, Hungary has been sending the West signals to the effect that it desperately wants to preserve good relations no matter what happens to Western relations with Poland and the Soviet Union.

Even the way Hungary played its hand at the Madrid conference reviewing the 1975 Helsinki agreements was subtly different from the behavior of its colleagues. The Hungarians spoke out in defense of the Polish authorities' right to impose martial law, but they took no part in the procedural maneuvering the Soviet Union and Poland devised to cut off debate.

All in all, Hungary in its quiet, careful way has the best record of all the East bloc states in living up to the Helsinki commitments. True, this is a one-party Communist state, but the atmosphere in Budapest is devoid of repression or fear, just as it is devoid of any personality cult in connection with the national leader, Janos Kadar.

True, too, the Hungarians have never attempted the technique of Ceausescu, loudly proclaiming a line different from Moscow's on many foreign-policy issues. The Hungarian game has been much more subtle, tinged with memories of how the Soviets crushed

the uprising in 1956. The Hungarians are contemptuous of Ceausescu's tactics.

"He makes all these declarations of a different line from Moscow, and it gets no fantastic attention and favors in the West, but it has absolutely no influence on the Soviet Union at all," one said. "The West never seems to notice that he goes on running the roughest police state in Eastern Europe, with one of the worst records of economic management, the poorest country in the Warsaw Pact."

"Here in Hungary, Kadar has done just the opposite. He knows that he cannot possibly influence the Soviet Union in foreign policy, even if he wanted to, so he plays close to the Soviets in order to gain more room for maneuver with his program of internal liberalization and reform."

Bigger Contribution

In the end, who is making a bigger contribution to detente — Ceausescu, with his foreign-policy statements and his policies toward or Kadar, with his foreign-policy loyalty to Moscow and his multiple-entry visas for U.S. journalists, his 2.5-million Western visitors a year and his policy of allowing Hungarians passports for one visit a year to the West?

No wonder Hungarians worry over what U.S. policy might bring them, their economy and their reforms back into the suppressive embrace of Moscow.

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Letters

Response to Pell

In his article "Is U.S. Policy Spreading the Cuba Contagion" (IHT, Feb. 27, 28) Claiborne Pell seems indeed to be repeating the "Cuba Contagion" by repeating the misinformed mouthings of those who, for idealistic reasons, would mortgage the ultimate security of the Caribbean (and ultimately the U.S. via the Panama Canal and its access routes) to the blandly mischievous and vague promises of a mountaineer.

The United States did NOT drive Cuba into the arms of the Soviet Union. If Mr. Pell studies the history of the Cuban Revolution and its aftermath he will learn that despite every effort by the U.S. to win over Castro, it was Cuba, under Castro's leadership and under guidance from Moscow, who spurned every U.S. effort at establishing friendly relations.

From the beginning the U.S. "tilted" toward Castro as a result of the publicity he received from Herbert Matthews and others who portrayed him as a noble good Samaritan.

Shortly after Castro triumphed and in an almost unprecedented move, the U.S. told Castro that it was ready immediately to recognize his government, he was received at the White House even before this by the then Vice President Richard Nixon who offered him vast sums to help Cuba back on its feet. This offer was soundly refused by airwaves to the cyclical rebel yell of the insurgents. Nothing was done by the U.S. when Castro cut off all possibility of payment of legitimate commercial debts to the United States, leading private U.S. business to grudgingly cut off credit to old and trusted Cuban customers. Castro interpreted this as the U.S. desire to wreck the Revolution. The U.S. then weekly accepted the confiscation of close to \$1 billion in assets and only much later started to react defensively by banning trade with the island.

PELAYO RIERA

Madrid.

Arens' Past

A headline (IHT, Feb. 13-14) hails Moshe Arens, the new Israeli ambassador to the United States, as "a good explainer." In the body of the article it is casually mentioned that in Israel in 1948 he joined the underground Irgun Zvai Leumi, headed by a fiery militant who was eventually executed by airwaves to the cyclical rebel yell of the insurgents. Nothing was done by the U.S. when Castro cut off all possibility of payment of legitimate debts to the United States, leading private U.S. business to grudgingly cut off credit to old and trusted Cuban customers. Castro interpreted this as the U.S. desire to wreck the Revolution. The U.S. then weekly accepted the confiscation of close to \$1 billion in assets and only much later started to react defensively by banning trade with the island.

By common usage, "militant" indicates a person aggressively dedicated to a cause. The Irgun was in fact a terrorist gang, one of whose notable accomplishments was the massacre of 250 men, women and children in the Arab village of Deir Yasin on April 9, 1948, five weeks before the outbreak of the Arab-Israeli war of the year.

J.M. BRADLEY,

Bonn.

Fear and Loathing in South Succotash, Minn.

By Walter Shapiro

that the Reagan revolution had already eliminated child labor laws.

Wednesday and Thursday will always be remembered with a special fondness in the Bjorn household at 17 Forest Primeval Lane. Matilde introduced Lars to the wonders of "General Hospital." While the children were at school, the couple also tried out some of the marriage-encounter techniques featured on "Good Morning, America." And Lars fixed the broken flagstone on the patio.

But even in South Succotash, tranquility does not last forever. The door bell rang on a dark, overcast Friday morning while Lars and Matilde were watching a "Leave It to Beaver" rerun. There on the doorstep was ABC correspondent Nick Nightline.

Without introducing himself, Nightline immediately launched into his standby: "I'm here in South Succotash, Minn., standing in front of the modest home of Lars Bjorn, a respected banker in this jerkwater town. Now he and his family must share the heartbreak and the agony of unemployment. What makes their privation and despair particularly ironic is that the Bjorns are registered Republicans. Lars, share with us how it feels to be so betrayed by a president you once trusted."

Unaccustomed to television lights, Lars' eyes began to tear. The cameraman, sensing poignancy, moved in for a close-up. Lars stammered for a moment: "I-I-I'm not important. I'm not news. We're doing okay. Watching a little TV, fixing things up around the house. Went down to the bank yesterday, for old times' sake, but there wasn't anybody to talk to, just those funny mechanics."

By now, Nightline, who had been allocated 78 seconds for his "Real American Suffering" segment, had enough tape. Turning his best profile to the camera, he said, "Lars Bjorn, obviously stunned by his pink slip, tries to

project a brave front. But you can sense his torment as he confronts a life without hope. This is Nick Nightline for ABC News among the unemployed of South Succotash."

By midafternoon, Lars had taped similar interviews with NBC and CBS and the front lawn looked like the aftermath of a rock concert. The family had also been visited by reporters from Newsweek, The Minneapolis Tribune and The New York Times. The Bjorn children had been followed home from school by a staff writer for People magazine.

Monday morning was even worse. Lars was forced to give a news conference on the front stoop before leaving for the unemployment office. When he was finally allowed to get into the family Toyota, he was followed by three network camera crews, six Hertz cars and a press bus. The entourage caused the worst traffic jam in the history of South Succotash — a virtual gridlock outside Tony's Barber Shop on State Street.

That evening, the Bjorn family decided drastic action was needed. Matilde wanted to call the governor. Sean and Buffy suggested getting in touch with Spiderman. But Lars decided to write the president, saying, "I read in the papers that Mr. Reagan only works three hours a day, so he'll have time to read my letter."

Shortly before dawn, Lars climbed out of the bathroom window, shimmied down the drainpipe and crawled to the nearest mailbox. The letter he sent read:

"Dear Mr. President: I'm being held under house arrest at my home in South Succotash. I haven't committed any crime. I'm a good Republican bank teller who just happened to lose my job. Now the media won't leave me alone. Isn't there something you can do?"

Two days later, Ronald Reagan read Lars Bjorn's letter right before giving an interview in Oklahoma. The rest is history.

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Real Lessons to Be Learned From Succotash Point, R.I.

By James Reston</p

Pope Assailed by Chinese Church For His Statements on Persecution

By Christopher S. Wren
New York Times Service

PEKING — China's officially sanctioned Catholic Church leadership has issued an angry personal attack on Pope John Paul II, accusing him of "vicious slander" and blasphemy in asserting that Chinese Catholics were being persecuted.

The attack, which was circulated as a statement Saturday by the Chinese press agency, was intended to rebut the pope's request that Roman Catholics around the world pray on Sunday for persecuted Chinese Catholics.

"This is a vicious slander based on false testimonies and to 'pray for such a fabrication constitutes an insult to the All Mighty (sic).'" The Chinese Catholics will never tolerate this, the statement said.

"Honest Catholics in other countries who know the facts will not allow themselves to be hoodwinked by this little trick of Pope John Paul II."

The pope prayed Sunday for Chinese Catholics in a special two-hour Mass that was broadcast live to Asia by Vatican Radio, Reuters reported from Rome. The pope, who gave communion to about 100 Chinese religious and lay persons, prayed for the "brothers and sisters in China" whose faith had been tested over the years through

"diverse experiences and sufferings," Reuters said.]

The Chinese statement threatened unspecified retaliation if the pope continued to talk about religious persecution in China. "The Chinese Catholics want to make it clear that there is a limit to their patience. We will launch a counterattack if Pope John Paul II does not call a halt to his false testimonies and accusations," it said.

It also submits to the strict birth-control policies imposed by the state. The local church further supports the government's objections to the diplomatic ties that the Vatican has with Taiwan.

Dissident Catholics loyal to the Vatican have in turn split off to form an underground movement of worshippers. Their number is unknown.

The latest confrontation started developing last November when police in Shanghai arrested the Rev. Zhu Hongshen and several other elderly Jesuit priests who had served long sentences in labor camps for trying to maintain links to the Vatican. The priests are still apparently in jail.

The official press agency called the statement an expression of Chinese Catholic "indignation" over a series of "extremely unfriendly moves" by the pope.

The reference to a "counterattack" raised a possibility that the Chinese church might support stiff punishment for the priests.

The local Chinese church has refused to submit to the authority

Russians Reported to Assure India Of Help in Meeting Military Needs

By Stuart Auerbach
Washington Post Service

NEW DELHI — The Soviet defense minister, Dmitri F. Ustinov, has promised that Moscow would help India meet any threat arising from U.S. arms sales to Pakistan.

Marshal Ustinov, who led the largest and highest-ranking military delegation the Kremlin has ever sent outside the Eastern Bloc, ended a six-day visit to the Indian capital on Saturday. Before his departure, he beamed as he answered a question on future Soviet weapons sales to India.

"Everything will be all right, be sure," he said.

G.K. Reddy of the Hindu newspaper, one of the best-informed Indian journalists on diplomatic and defense matters, reported Saturday

that the Russians have offered sophisticated equipment at reduced prices and soft credit terms.

Although the Indian government has tried to downplay the Ustinov visit, there has been wide speculation among nongovernmental Indian military analysts and diplomats in New Delhi that his mission was to convince India to forgo its announced plan to diversify its arms supplies by buying Mirage-2000 jet fighters from France.

Whether Marshal Ustinov was successful remained unclear on Saturday. An Indian cancellation of the French deal, in which a preliminary letter of intent has been signed, could cause a breach in relations between India and the Socialist government of French President Francois Mitterrand. One of

Mr. Mitterrand's special advisers, Jacques Dauvin, was in India to meet leading Indian officials during the Ustinov visit.

Nonetheless, as Mr. Reddy's report indicated, it appears likely that the Indians will be getting additional Soviet arms in the future, even if New Delhi continues with the Mirage deal.

Mr. Reddy noted that there is no longer a gap between the Soviet military equipment and that being offered to India by other countries.

Moreover, India no longer has to beg the Russians for advanced weapons systems, he added, since "Moscow is offering them. It is for India to pick and choose from what they tried to speak in a church in Liverpool within 48 hours of each other."

Selling Us' to Rome

Archbishop Runcie had to abandon his talk because of the demonstrators, who contended that he was "selling us down the road to Rome" by asking the pope to speak in the Anglican cathedrals at Canterbury and Liverpool.

Many of the demonstrators were drawn from a Protestant extremist organization known as the Orange Lodge, which has links to militant Protestants in Northern Ireland.

Richard Roberts, the lodge's grand master, met with senior churchmen after the demonstration for what were officially described as "constructive discussions," but he said later that his organization was drawing up plans for further protests.

The Rev. Ian Paisley, the militant Protestant leader in Ulster, issued a statement supporting the demonstrators, who contended that he was "treacherous" to the cause.

Since then, however, the Indians have sought to diversify their arms supplies by buying Jaguar jet fighters from Great Britain and submarines from West Germany.

The diversification appears to be an important element in the foreign policy of Prime Minister Indira Gandhi. She has emphatically denied in recent interviews that India is pulling too close to the Soviet Union because of the arms supply relationship and New Delhi's equivocation on Moscow's intervention in Afghanistan.

Furthermore, the United States is known to have told Mrs. Gandhi that the more India acts truly normalized, the more understanding its views will get from the Reagan administration.

He said that although there were still few of the animals in the world, their density in the Kaziranga preserve was too high for comfort.

Except for those in zoos, the rhinos are confined to three sanctuaries in northeastern India.

On Feb. 11, a delegation of Assamese students, who have been negotiating with the central government on their demand for deportation of millions of immigrants, called on Prime Minister Indira Gandhi to ban the removal of any of the animals from Assam.

A spokesman for the activists called the proposal to move the animals to other swampy areas outside the state "a conspiracy to deprive the people of Assam of an object of their pride and deprive the area of tourist revenue."

The great Indian rhino is the second largest rhinoceros, behind the white rhinos of Africa. An adult male measures 14 feet (4.2 meters) from its single horn to its tail and stands about 6 feet high at the shoulder. It can weigh 2 tons, and its body is covered with patches of thick skin.

At the moment, the argument about tourist attractions is somewhat diminished by the difficulties of travel by foreigners in Assam. Foreign journalists are barred from northeast India, where tribal rebellions are reported. Foreign tourists are required to have special permits to visit the area.

WORLDWIDE ENTERTAINMENT

PARIS

LES 2 MEILLEURES SOIRES DE PARIS

NOUVELLE REVUE COCORICO !

LIDO

20 h 30 Diner dansant champagne et revue
335 F

FRENESIE

MOULIN ROUGE

20 h 00 Diner dansant champagne et revue
335 F

22 h 00 Revue et 0 h 30 champagne
230 F

NORMANDIE

116 bis av des Champs-Elysées
563 11 st agences



The Rev. Ian Paisley, wearing a button on his coat saying "No Pope," told supporters at a rally Sunday in Oxford, England, that the May visit by the pope was based on "falsehood and deceit."

Plans for Papal Visit Unaffected By Protestant Protests in Britain

By R.W. Apple Jr.
New York Times Service

LONDON — Organizers of Pope John Paul II's coming visit to Britain have refused to change his schedule despite demonstrations by militant Protestants in Liverpool and a threat of further outbreaks.

"One cannot shut one's eyes to the serious difficulties," said Liverpool's Roman Catholic archbishop, Derek Worlock. "But the good sense and faith of the vast majority is such that we will be able to maintain the pope's program. After all, this is meant to be a visit of reconciliation."

He said the pope's remarks and fears "will help remove some of the misunderstandings and fear that have created this hatred."

Two weeks ago, Archbishop Worlock and the archbishop of Canterbury, Robert Runcie, the spiritual leaders of the Anglican Church, were jeered and booted when they tried to speak in a church in Liverpool within 48 hours of each other.

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Christian Dissidents Challenging S. Korean Leader on Rights Issues

By Henry Scott Stokes
New York Times Service

SEOUL — For the first time since he took power nearly two years ago, President Chun Doo Hwan is facing some organized opposition.

It comes from Christian dissidents who played an important role in creating the climate of unrest in which his predecessor, Park Chung Hee, was slain in 1979 by the chief of the Korean Central Intelligence Agency.

Mr. Chun's hold on power appears to be secure, but he is responding warily to requests by the Christian dissidents for small, new prerogatives.

Recently, at talks with church leaders, he agreed to allow prayer meetings to be resumed at the headquarters of the Korean National Council of Churches, once a center of resistance to Mr. Park. Such meetings had been banned there since 1979. But Mr. Chun permitted only biweekly meetings, not the weekly sessions that had been requested.

Key Issues

Christian dissidents have begun to challenge the 51-year-old leader on two key issues. They are demanding an end to what they denounce as the torture of political prisoners, and they are calling for a revision of labor laws that virtually prevent workers from organizing.

The dissidents, who are said to number about 2,000, are viewed as an intellectual elite among the 6 million Christians in South Korea's total population of 38 million. The dissidents have greater political influence than members of the large Protestant fundamentalist churches.

Growing Confidence

A sign of the growing confidence of the dissidents is a recent call by the Justice and Peace Commission, a Catholic human rights group, for the release of political prisoners.

Another was a series of demands by Protestant groups in the National Council of Churches after an amnesty on March 3 resulted in the release of only 15 of the more than 400 political prisoners.

The dissidents, in a statement issued on behalf of the families of those still in custody, called for the

unconditional release of all political prisoners. It also urged the government to take steps to ensure that the "brutal torture" of political offenders is halted.

In addition, the statement said that the government should take responsibility for the medical treatment of what it described as tortured political prisoners "in grave condition."

Charges of Torture

To support charges of torture, a copy of a widely circulated leaflet was handed to a reporter visiting an office of one of the Christian groups. It describes the case of 32-year-old Cho Sung Woo, who is serving a nine-year prison sentence. The leaflet said half of Mr. Cho's body was paralyzed after beatings during interrogation.

Christian activists have also demanded better government treatment of workers, who are virtually prevented from organizing under martial law legislation issued by Mr. Chun in late 1980. There are unions in South Korea, but the dissidents say they are company unions or labor organizations led by puppets of the authorities.

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A key issue from now on, according to Christian dissidents, is whether the government will permit the churches to organize groups such as the Urban Industrial Mission. This worker-education group, a Protestant effort, was a target of attack under Mr. Park in the late 1970s.

French Aides Regret Impression of Ill Will In Raids on U.S. Firms

By Axel Krause
International Herald Tribune

PARIS — Government officials have said they regret any impression of hostility toward foreign companies that may have been created by recent raids on the offices of two U.S. brokerage firms here, authoritative sources have disclosed.

"We never intended to single out foreign or U.S. firms, and if that was the impression created, it is regrettable," a senior French official said in an interview Friday.

Similar statements were conveyed to U.S. Ambassador Evan G. Galbraith by the French budget minister, Laurent Fabius, during a telephone conversation two weeks ago and in later conversations between senior ministry officials and Merrill Lynch executives, U.S. and French sources said. The Budget Ministry oversees French customs operations.

Somewhat Conciliatory

The raids by customs authorities were made Feb. 25 in Paris offices of Merrill Lynch and Shearson/American Express. American businessmen in Paris decried the manner in which the raids were made.

"While not apologetic for what happened, the Mitterrand government has been somewhat conciliatory, hopeful of easing some of the tensions and possible damage created by the incident," a senior diplomatic official said.

Damage to Policy

Other U.S. businessmen, lawyers and diplomats generally said they believe that the incident will not be forgotten quickly and that any further raids could be even more damaging to the government's effort to attract foreign investment.

Several French and foreign banks and investment firms also have been raided in recent weeks. But business sources said they could not recall any other raids on American firms in more than 20 years.

There was continuing speculation in Paris that the initiative for the raids came from left-wing union members in the customs service, but French government officials declined to comment. "Our investigations are continuing, and for the time being there is nothing new to report," an official said.

Laker Sets Aside Idea for Airline

The Associated Press

LONDON — Sir Freddie Laker has announced that he has shelved the idea of starting a "people's airline" to replace his Laker Airways, which went into receivership last month.

Instead, he said at a news conference Saturday, he is setting up an aviation consultancy business with Roland W. (Tiny) Rowland, head of the British conglomerate Lourho. Sir Freddie said the new venture, Sir Freddie Laker Ltd., will deal with such matters as arranging aircraft leasing and business travel.

He said the change of plans was not due to a lack of money but to "red tape." It would have taken months to regain rights to the Civil Aviation Authority, Sir Freddie said.

Vice President Reported To Quit in Bangladesh

United Press International

DACCA, Bangladesh — Bangladesh's vice president, Mirza Nurul Huq, has resigned and asked President Abdus Sattar to choose a replacement by March 26, sources said Sunday.

Mr. Huq, 70, said he decided to quit because of a campaign against him by members of the ruling Bangladeshi Nationalist Party, the sources said. Meanwhile, Mr. Sattar was reported to be contemplating changes in his administration to stabilize the political atmosphere and to avoid imposing martial law.

Marcos Visits Saudi Arabia

Reuters

BAHRAIN — President Ferdinand E. Marcos of the Philippines arrived in Saudi Arabia Sunday for a state visit that could lead to fresh efforts to resolve the Moslem autonomy issue in his country. Saudi Arabia heads a committee set up in

International Bond Prices - Week of Mar. 18

Provided by White Weld Securities, London; a Division of Financiere Credit Suisse - First Boston

RECENT ISSUES

Amt Security	Strt/ Conv Issue	Pr.	Ave Yield	Yield		Amt Security	% Mat	Middle Price Mat	Ave Life Curr	Yield		Amt Security	% Mat	Middle Price Mat	Ave Life Curr				
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'Technopolis' Concept Developed for the '90s

By Donald Kirk

TOKYO — Picture a prototype "new town" of the 1990s. It's called a "technopolis," and it may be the next step in mankind's technological and cultural evolution into the 21st century.

"It's a town," say the perspicacious planners at the powerful Ministry of International Trade and Industry (MITI), "in which industry, academia and living environment are harmonized." Fusing the latest high-tech manufacturing techniques with facilities for research in idyllic surroundings, a typical technopolis would enable men and women to fulfill themselves on the job and at home — and still pursue a range of social interests.

The technopolis concept, which MITI plans to turn into reality in possibly 16 different locales, includes a dozen or so fine-technology industries, along with institutions, schools, restaurants, stores, theaters, parks and just plain living space for as many as 200,000 people. A technopolis would develop near an already-existing "mother city," usually a prefectoral capital, but would clearly form a model for emulation on a larger scale — and would provide a setting for top corporations to exploit the newest innovations of scientists and engineers.

As such, it fits in with the pattern of rising expenditures on research and development in selected sectors. "Our research and de-

much larger than those customarily used for measuring and positioning pieces, while the robots that make the parts would have the power not only to do as they're told but reach decisions. "We need robots sensitive to light, weight and size," said Norikazu Matsuda, estimating that 10 percent of those now made in Japan are the "intelligent" kind. With a population of 15,000 "programmable" robots, said Kanji Yonemoto, executive director of the Japan Industrial Robot Association, the number should climb to 800,000 in a decade.

Beginning in the 21st century,

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Japan's Auto Production in 1981

Company	Total Production	Domestic Sales	Export
Toyota	3,220,000	1,493,000	1,716,000
Nissan	2,562,000	1,144,000	1,438,000
Toyo Kogyo	1,176,000	382,000	794,000
Mitsubishi	1,095,000	516,000	579,000
Honda	1,055,000	334,000	711,000
Suzuki	580,000	433,000	136,000
Daihatsu	472,000	314,000	148,000
Fuji (Subaru)	470,000	230,000	240,000
Izuzu	69,000	39,000	30,000
Nissan Diesel	44,000	21,000	23,000
TOTAL	11,220,000	5,095,000	6,074,000

There are slight differences between production and sales figures because of stock levels.
Izuzu is principally a truck manufacturer, building only about 100,000 passenger cars a year, while Hino and Nissan Diesel build commercial vehicles only.

Auto Industry Looks Homeward

By John Hartley

TOKYO — With factories operating at full production, showing big profits and posting record production figures, Japan's auto industry seems to be on top of the world.

Yet its executives are continually talking of crises and problems. So is Japan's biggest export industry threatened, or is this very awareness of future problems the key to Japan's success?

Certainly, the Japanese auto industry's success in export markets has led to threats of a political nature, and it must be admitted that the automakers have been tempting providence for some time in the way in which they have increased exports. On the other hand, the transformation that led to Japan's becoming the strongest force in the world's auto industry took place very quickly. Consequently, the executives are wary of moving too fast, especially as they expect General Motors to re-emerge from its current problems strong enough to take their sales away in many markets.

But the big difference about this year's predictions is that the automakers are expecting most of the growth to come from the Japanese market, with exports increasing by only 1 percent. Japan exports more than 50 percent of its output, and over the last few years its exports have increased sharply, so this attempt to boost domestic sales is way in many markets.

At the same time, despite the industry's hope that car sales in Japan will increase by 7.8 percent this year, an increase of 5.4 percent is much more likely. Therefore, sales campaigns will be aggressive, and Daihatsu, Isuzu and Fuji (Subaru) are likely to find the going tough.

That attempt to improve sales in Japan reflects the tightrope in which the industry is walking. It is still looking for substantial growth, but its exports to the main markets are limited, for a variety of reasons.

Industry executives often refer

to the "cold wind of protectionism" these days, and it is clear that this is the main barrier to more growth. Last spring, the Japanese government agreed that the auto industry would voluntarily restrain exports to the United States. This deal represented a cut of about 7 percent in sales last year, with the export levels for this year and next depending on the size of the United States market.

In addition, Japanese auto companies have limited their exports to Britain under an informal agreement for about five years now, so that they have an 11-percent share of the car market. In France and Italy there are strict quotas, while last year, Canada, Belgium and the Netherlands all requested cuts in the levels of Japanese imports, and generally these were headed.

Recently, owing to the desperate sales slump in the United States, a number of United States congressmen have been asking for a further reduction in Japanese imports.

When he was in Tokyo in February, Philip Caldwell, chairman of the Ford Motor Co., echoed these views by saying that Japan should limit exports to the United States to the same level as last year, whereas the Japanese automakers were expecting to be able to ship more cars to that market.

Mr. Caldwell pointed out that Japanese cars now take 22 percent of the U.S. market, whereas the aim with the restraint was for a share of 17-18 percent.

But why should Japan limit exports? Didn't it build up its export business on high productivity and better products? There is no doubt that Japan's auto industry is highly productive, not so much because it uses many robots, but more owing to a variety of reasons.

(Continued on Page 13S)

development effort in certain sectors is higher in the United States," said Keiichi Sato, an economic analyst at the Japan Society for the Promotion of the Machine Industry, a broad field that accounts for nearly one-third of overall industrial output. Among other targets of unremitting research, he observes, are robotics, large-scale integrated circuits, small computers and consumer electronics — most spectacularly, video-tape recorders.

New Frontiers

The urge to break through to new frontiers — conceptually, technologically and in terms of quick production and profits — inevitably involves both industry and government, which often encourages and funds initial research.

While drafting blueprints for the first technopolis, MITI is also sponsoring oil-drilling projects — in deeper water than ever conceived by offshore oil interests — for extracting more and higher-quality products from increasingly heavy, high-sulfur-content crude oil and for capturing and recycling "urban waste" ranging from plastic to paper to tin cans in a single system. The areas of study are numerous.

From the viewpoint of rapid mass production of small products, one of the more interesting ideas envisioned at MITI is a small factory run by computers and laser beams. For example, a chunk of metal enters a computerized processor and goes through an assembly line in which lasers cut, weld and shape the metal. Want to change the product line? Depending on how the computer is programmed, you might get anything from a home appliance to a child's toy.

The lasers themselves would be

Banking: Sweeping Changes in New Law

By Robert Y. Horiguchi

TOKYO — Overhauled for the first time since 1927, Japan's revised bank law, which goes into effect on April 1, promises to bring about profound changes in the country's financial establishment.

The new law updates the ground rules governing the triangular rivalry between the privately run banks, the security houses and the governmental postal savings system.

For the first time, banks will be allowed to engage in over-the-counter trading and dealing in government and public bonds — a prerogative hitherto reserved to the security houses. And banks will be able to go on a five-day work week, which they were previously prohibited from doing.

Foreign bank operations also will be affected by new regulations based on the revised law, which are now being drafted by the Ministry of Finance. These rules reportedly propose to treat foreign bank branches like Japanese institutions. There are 70

foreign banks that operate a total of 95 branches.

The revised legislation further sets the stage for a new "green card" system through deposits that benefit from a tax exemption on interest.

Interest earned on individual deposits of up to 3 million yen in banks, the same amount in the postal savings system, and government bond holdings with a face value of Y3 million — that is designed to put an end to such

abuses, but it risks provoking a flow of money into gold or into foreign financial instruments, which are beyond the reach of the tax authorities.

Even though they chalked up increased operating profits in the April-to-September first half of the current fiscal year, numerous domestic banks saw their profit margin on interest rates

— is, a total of Y9 million (\$39,000) — is not subject to taxation.

The large number of such accounts, officially described as "petty savings," has made it virtually impossible, even with the use of computers, to control the identity of the depositors, let alone track down the fictitious names used by a large number of them in order to evade taxes.

The numbered "green card" is designed to put an end to such

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FAST-MOVING ACCOUNTS: Automatic tellers dispense money in Tokyo.

Courtesy of the Japanese Embassy, Tokyo

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government that their efforts are not appreciated.

Mr. Suzuki himself declared in a recent television interview (Feb. 23) that "the United States suffers from a great misunderstanding" in its interpretation of Japanese moves. He said that Americans "do not understand conditions in Japan," and added, "We are concerned that the situation will worsen if protectionist measures are taken in the name of reciprocity."

A few days later, Chief Cabinet Secretary Kiichi Miyazawa, also referring to a bill before the U.S. Congress requiring reciprocal conditions for bilateral trade, called it "a mistaken idea." He declared that Japan was increasing its market accessability "at the sacrifice of our own national interests."

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reform on which he has repeatedly stated he stakes his political career.

By these reforms, the premier promised to reduce government spending to the point where the budget will be balanced by the end of 1984 without resorting to covering deficits through national bond issues.

The problem is, the Special Commission charged with hammering out reform proposals has yet to spell out details, which makes it impossible to know whether they will serve their budget-balancing purpose. Although minor reforms recommended in the commission's first report last year were approved, other issues such as defense and trade, plus



Courtesy of the Japanese Embassy, Paris

Suzuki Presses Major Effort to Ease Friction Caused by Trade Imbalances

By Ken Ishii

TOKYO — Despite early doubts and criticisms of ineffective leadership, Premier Zenko Suzuki remains in control of Japan's affairs after 18 months in office. But whether his Liberal-Democratic party will vote to give him another term in November depends on his performance in the months ahead.

Three major issues preoccupy the Suzuki administration. These are defense, on which Washington wants Japan to spend more, trade frictions over Japan's ballooning trade surplus with the United States and the European Economic Community, and administrative and fiscal reform aimed at reducing government waste and balancing the budget.

The defense debate has passed its peak, at least as far as relations between Tokyo and Washington are concerned. The Liberal-Democrats have settled for a 7.75-percent increase in the 1982 defense budget, an amount that United States officials believe is still far less than the effort required to bring Japan's defense capabilities into line with its economic strength and ease Washington's burden under the U.S.-Japan security treaty.

But seen from Tokyo, the 7.75-percent figure is enormous. Japanese public opinion does not view the Soviet threat in the same light as Americans or Europeans. A global approach to security remains alien to lingering insular attitudes. In this context, Mr. Suzuki's approval of the increase was, in the words of one supporter, "an act of courage," and more so since it was made in the face of severe hold-downs in increases in government outlays for education, welfare and other vote-getting programs. It has left Mr. Suzuki open to accusations of yielding to American pressure at the sacrifice of the public interest, and to charges of setting the stage for a revival of militarism which, however, unfounded, makes good political capital for the leftist opposition.

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Japanese like to point out that high United States interest rates and a lack of aggressiveness on the part of foreign businessmen to penetrate the Japanese market are as much responsible for the trade imbalance as anything else.

It is certain that the trade issue will command Mr. Suzuki's continuing attention through the remainder of his term. Excessive acquisition of assets on which the Liberal-Democrats depend for support. By not moving as far and as fast as Japan's trading partners want, there is the risk of exacerbating the very tensions that Japanese reforms were intended to reduce.

Important as the trade issue is, it is unlikely at the moment that it will have as much impact on Mr. Suzuki's political fortunes as his conduct of domestic affairs, particularly the administrative and fiscal

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Shaping Up a Lopsided Economy

By Gregory Clark

TOKYO — A simple statistic, buried in the pile of data spewed forth lately by Japan's economic agencies, tells clearly the dilemma facing Japan's economy. In 1981, manufacturing and mining production rose by a modest 3.1 percent. But almost the entire amount of that increase was fuelled by a 12.1-percent increase in exports. Domestic demand rose by a mere 0.1 percent.

In other words, except for exports, Japan would have registered almost no increase whatsoever in its production of industrial goods last year. For a nation that likes to think of itself as moving relentlessly up and up on the industrial ladder, that boasts of far the largest share of the world's industrial robots, this is a fairly serious situation — particularly as it is now clear that Japan cannot hope to keep its present level of export surpluses forever.

How did Japan get itself into this situation? The answer lies precisely in the determination of the Japanese to see themselves as ever-expanding manufacturers of goods, particularly for export.

They forgot that an economy also consists of services as well as goods, that the manufacturing sector needs to be balanced by the service sector. They also seem to forget that as an economy advances, demand in the service sector expands much more rapidly than in manufacturing.

Imbalanced Economy

The result today is an economy that is dangerously out of balance. A calculating machine incorporating the world's best technology costs less than it costs to move a kilogram of beef through Japan's antiquated distribution system.

A car or a ton of steel can be produced with close to twice the productivity of the rest of the world, and also with better quality. A custom-built house of inferior quality costs two to three times what it would cost elsewhere, and

even has legislation to prevent the expansion of that service sector "robot" — the chain store or supermarket.

Just as the rest of the world is conservative in its nondynamic manufacturing sector, Japan is equally conservative in its nondynamic service sector. It cannot create the new employment to absorb those who lose jobs to labor-saving innovations. Meanwhile, the economy moves into deeper stagnation under the impact of falling domestic demand and the slowdown in exports. The GNP growth rate in the last quarter of 1981 is estimated at close to zero. The all-important estimate of plant and equipment investment in 1982 shows a very restrained 4.1 percent in growth. Current exports show little growth over last year's levels.

Short-term measures to revive the economy are also lacking. During past recessions, the rapid expansion of public works spending has usually been the savior. But to reduce the dangerously unhealthy reliance on bonds to finance defi-

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JAPAN

Sweeping Changes in Bank Law

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deteriorate, complains Shuzo Muramoto, chairman of the Federation of Bankers' Associations.

He calls for the abolition of what he terms legal and administrative discrimination against banks and the adoption of measures that would allow them to compete on an equal footing with the postal savings system and the security houses.

Particularly irksome to bankers is the growth of the postal savings system in recent years to a point where, according to Mr. Muramoto, it "out-rivals" financial institutions in the private sector.

At the close of fiscal year 1980, on March 31 of last year, postal savings amounted to Y61,954 trillion, edging close upon the outstanding balance for individual deposits in all Japanese banks totalizing Y66,307 trillion on the same date.

Commercial banks have to lend for shorter periods because few of them have access to long-term yen, the postal savings system having diverted funds from the banks.

Despite such jeremiads by the industry's spokesman, the 13 domestic city banks — the largest in the country — recorded in the first six months of the current fiscal year, ended last Sept. 30, a 4.9-percent increase in overall deposits compared to the preceding semester, their outstanding deposit balance amounting to Y92 trillion (\$40 billion). For the same period their operating profits were up 22.9 percent, gross revenue rose 15.2 percent and their net income grew 18 percent from the previous business term.

Stock, Capital Markets

Of greater concern to bankers is the growing tendency of Japanese corporations to turn to the stock and capital markets to raise funds instead of borrowing from banks.

The Bank of Japan has reported that corporate fund recruitment from banks dipped from an average of 85.9 percent in the 1965-75 decade to 79.9 percent in the 1975-80 five-year period.

Corporations are estimated to have raised Y1.5 trillion (\$6.5 billion) between April and October, 1981, through the market for capital expansion. This compares with the Y1.3 trillion obtained from the same source just before the oil crisis in fiscal year 1972. This was the highest amount previously recorded.

Also, instead of channeling their extra funds into bank vaults, corporations are seen to be funneling

them into bond and security portfolios.

Prof. Seichiro Saito of Rikkyo University in Tokyo sees this phenomenon as having started in 1975, when corporations adopted overall "fat-trimming" policies in order to readjust themselves to a period of low economic growth in the wake of the oil crisis.

Debt-Free

Cited among the outstanding examples of this turnaround trend are the Pioneer electronics company, which has shaken itself wholly free of bank debts since 1978, while Ajinomoto, a food processor, in long-term debt from Y9.9 billion to Y2.5 billion.

At the extremes of the bank indebtedness spectrum are Nippon Steel, which has Y1 trillion (\$4.4 billion) in outstanding loans, and the Toyota Motor Manufacturing Co., the world's second largest car builder, which is not only debt free but generated Y63.9 billion in a year by judiciously managing its assets.

Japanese banks, however, continue to make their weight felt in the corporate world through their equity holdings.

At the end of 1980, banks owned shares worth Y7.44 trillion (\$32.3 billion) in book value. In 2,277 corporations, the bank equity exceeded 5 percent.

Under a 1977 revision of the Anti-Monopoly Act, 157 commercial banks were required to reduce their equity holdings in businesses from 10 to 5 percent by 1987. Three years after the statute was enacted, this divisive process had reached only 17.5 percent of its target. The reason for this slow compliance, analysts explain, is the widespread practice of cross-shareholdings between banks and corporations as well as among corporations themselves.

Toyota Holdings

For instance, Toyota Motor's leading shareholder, with 5 percent of all shares, is the Mitsui Bank. Lesser positions are held by the Tokai Bank (4.9 percent), the Sanwa Bank (4.3 percent) and the Toyota Automatic Loom Works (4.6 percent).

At the same time, Toyota Motor Holds 3 percent of Mitsui Bank, 5.5 percent of Tokai Bank and 1.9 percent of Sanwa Bank stocks and an imposing 24.6-percent position in Toyota Automatic Loom Works.

This form of cross-holding occurs not only among major corporations and banks but also at the level of medium enterprises. In the

latter's case, they are pleased to have banks as shareholders, since financial institutions tend to be "stable investors" that are unlikely to dump their holdings suddenly depending on market vagaries.

Electronic banking has been developed in Japan to a level that foreign specialists concede may be the highest in the world. Computerized systems handle all aspects of the bank's business, a heavy emphasis being placed on consumer service.

For instance, the 13 city banks are linked through a nationwide electronic network that allows a depositor in any of them to withdraw funds by operating an automatic bank teller located in any of the 2,617 branches of the 13 institutions by inserting a magnetically coded plastic card and identifying himself by punching a four-digit personal number.

Networks Connected

A parallel network connects 63 regional banks, and 71 mutual loan and savings banks also offer the same facilities. The three networks are connected to handle inter-bank transactions.

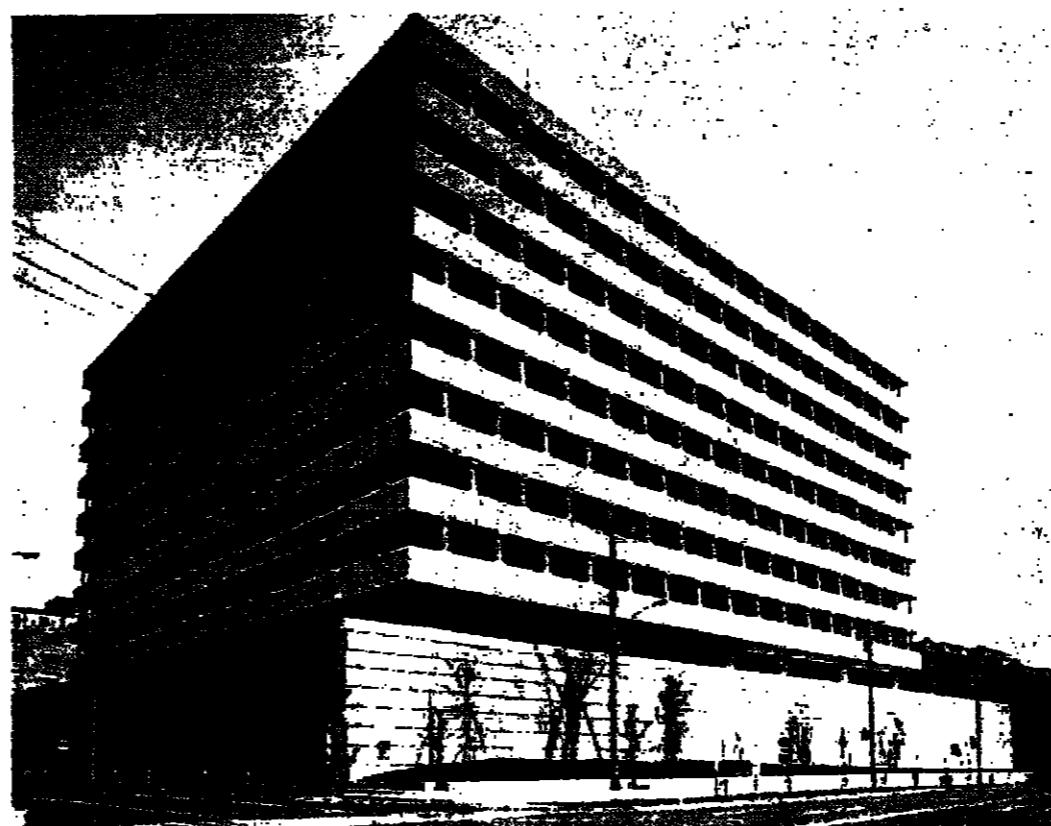
To compensate for the traditional Japanese aversion to using bank checks, the banks undertake to pay on request rents, utility charges, income and municipal taxes, department store and credit card bills and association membership fees on their due date by debiting depositors' accounts.

Company payrolls are electronically distributed into employee bank accounts, as are social security pension payments.

Time and ordinary deposits can be combined into one account so that overdrafts are automatically covered, the time deposit serving as a guarantee. The banks have in recent years sought energetically to develop the personal finance field by offering housing, education and other miscellaneous loans at attractive terms. This lending to individuals, however, still hovers at a minimal 2 percent of the banks' total financing outlays, principally because banks tend to delve deeply into the financial status of the would-be borrowers, a practice repugnant to a large proportion of Japanese who are not familiar with credit-worthiness tests.

With the domestic banks offering this vast array of customer services, foreign banks in Japan find little opportunity to compete in attracting individual savings, which form the broad mass of funds deposited in Japanese banks. Japan enjoys a savings rate of 18 percent, the highest in the world.

Foreign bankers appealed for greater freedom in raising yen funds, whereupon the Ministry of Finance pointed out that they were



Courtesy of the Japanese Embassy, Paris

SEAT OF POWER: The head office of the Bank of Japan in Tokyo.

being favored over domestic banks in that respect.

The ministry said that foreign banks can issue about eight times more certificates of deposit than their Japanese counterparts, as they were allowed to issue CDs up to a ceiling equivalent to 20 percent of their net earnings in yen as against 50 percent of net worth in the case of domestic banks.

Foreign banks, the ministry added, were also free to raise funds in the call and bond markets and were being allowed more favorable ceilings than those for domestic institutions in borrowing from the Bank of Japan.

As for opening new branches, foreign banks were being allowed to do so every year, the ministry declared, while Japanese banks received permission to do so only every two years.

The reported intention of Japanese authorities to treat branches of foreign banks like Japanese institutions effective April 1 is arousing qualms among the affected bankers.

According to the new regulations now being drafted, each branch would be considered a wholly independent profit center for accounting purposes. This would require each branch to set up its own reserves for losses against bad loans, for employee retirement allowances and other legal reserve obligations.

"This would cost me Y1 billion for each branch," exclaimed the manager of a leading European bank.

Japanese banks, he pointed out, have a centralized accounting structure that extends its coverage to all its branches. This inequality would be compensated for by a reduction in the amount foreign bank branches would have to set aside as reserves. They would be required to put into their reserve fund 10 percent of their annual net profits. Japanese banks would have to set aside 20 percent, according to the tentative rules.

The same banker described as "unrealistic" a report that Japan would allow them to take over Japanese banks and to incorporate locally.

Overseas Business

He said he could not see a foreign bank diverting the necessary funds to effect such a purchase, even taking into consideration Japan's economic importance, the potential for overseas business and the possible emergence of Tokyo as an off-shore banking center.

It is in the overseas business that many foreign banks in Japan see new opportunities. Several of them have ties in Africa or Latin America, where Japanese trade and investment are growing fast but where Japanese banks are not well represented.

Suzuki Presses Effort To Ease Trade Friction

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pressure from bureaucrats and interest groups that stand to be most affected by the major reforms still to come, have since taken much of the steam out of the original enthusiasm.

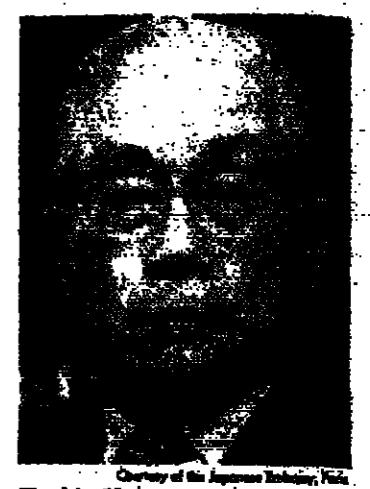
In the Diet, also, members have begun suggesting that reforms be kept "within the range of feasibility," fueling concern that they will end up "doubled," as the Japanese say.

Yet only last month Mr. Suzuki, speaking to the Diet, repeated his pledge to take "political responsibility" should he fail to balance the budget by 1984. Taking him at his word, this means he will have no alternative but to resign if he cannot fulfill his promise.

It is rare for Japanese politicians, let alone a premier, to go out on a limb to such an extent. But Mr. Suzuki is unusual in that he got the job without asking or expecting it. After the sudden death of Premier Masayoshi Ohira, leaders of the ruling party's rival factions picked Mr. Suzuki — a party workhorse with no following of his own — because none of them had a successor ready.

Today there is still no clear successor to Mr. Suzuki. Toshio Komoto, director general of the Economic Planning Agency, is said to be ready to challenge Mr. Suzuki at the November party convention, but he will have to rally much more support that he has now to make his bid stick. The party has some promising younger leaders, but they are waiting in the wings, for lack of sufficient backing.

But premiers in Japan are rarely praised while in office. Criticism is the rule, especially by the press and Mr. Suzuki received his share. Political analysts point out, however, that the burdens of government today are much greater now that Japan is a major economic force in the world. Many may feel that Mr. Suzuki has not measured up to the requirements of his office, but the final judgment is not yet in.

Courtesy of the Japanese Embassy, Paris
Toshio Komoto

'Nontariff Barriers': Subtle, Time-Consuming

Special to the IHT

TOKYO — Ever since the Japanese government removed most of the tariff and quota barriers to imports a few years ago, cynics in Tokyo have been predicting that the changes would have little practical effect. They argued that a carefully constructed network of "nontariff barriers" (NTBs), concerning the testing, approval and use of foreign goods, would in effect block a surge of imports into Japan, no matter how liberal Japan's trade "liberalization" was.

Until February, Japanese government officials seemed to be heatedly opposed to the notion that a system of nontariff barriers was in operation. When asked about "barriers to trade," the standard Japanese reply was that official quotas and tariffs had been reduced to a level even below those of the European Community and the United States. In effect, the official answer was: "No nontariff concessions; NTBs do not exist."

But with the admission in February that the Japanese government was taking measures to eliminate 57 commonly perceived nontariff barriers, attention was focused on the problem of defining them. And the public is trying to figure out whether any solution will have much of an impact on the mounting trade problem between Japan and her partners.

NTBs are important because they keep the Japanese from using, and thus purchasing, a wide variety of foreign products that they would ordinarily be tempted to buy. They are, in effect, the unofficial mechanisms through which Japan's government and business community discourages its people from buying foreign goods.

The most effective way of cutting down on purchases of foreign goods is to keep them out of the marketplace. Nothing is more effective than an unofficial boycott by an industry association. Thus, foreign tennis balls are not used in Japan because the Japan Tennis Association ruled that balls used in Japanese matches should be "in principle" domestically manufactured balls. This also tends to discourage tennis players from using foreign balls in practice as well.

A similar unofficial boycott occurs in metal baseball bats. Despite the fact that American bat manufacturers can produce the product more cheaply and perhaps with better skill than Japanese makers, Japan's official baseball league does not "recommend" that its members purchase foreign bats. The result is an unofficial barrier.

In cases such as these, the foreign product contained no raw ma-

terials or design specifications that could be cited as "dangerous" to health. So local sports authorities simply "discouraged" the importation of the product. But with a wide range of food, drug and related products, Japanese authorities resort to declaring the ingredients of foreign products "dangerous."

Another example is the barrier against American chewing gum. Seven years ago, an American company tried to import a popular U.S. gum, but was barred by Customs officials on the ground that the product contained synthesized potassium chloride.

"The use of natural potassium chloride is allowed," notes an American executive, "but there is no scientific ground for discriminating one against the other." Only recently did the Ministry of Health and Welfare decide to allow the importation of synthesized potassium chloride.

U.S. importers also complain about a similar case concerning the importation of an aerosol spray used in repairing cars in wooden wells. The product was not approved by Japanese authorities on the ground that the containers it came in were not thick enough.

Japanese safety standards require that the metal forming the container of the spray should have a thickness of 0.215 millimeters or more. Observers pointed out, however, that recent improvements have eliminated the correlation between the thickness of a container and its safety.

Testing requirements are especially irksome to the many foreign pharmaceutical producers who try to crack the Japanese market. For the most part, they find that Japanese authorities simply will not accept the testing procedures that they have carried out on their home grounds.

They are required to repeat each of the clinical tests on Japanese patients before receiving approval, a procedure that takes several years off the life of the product in the Japanese market.

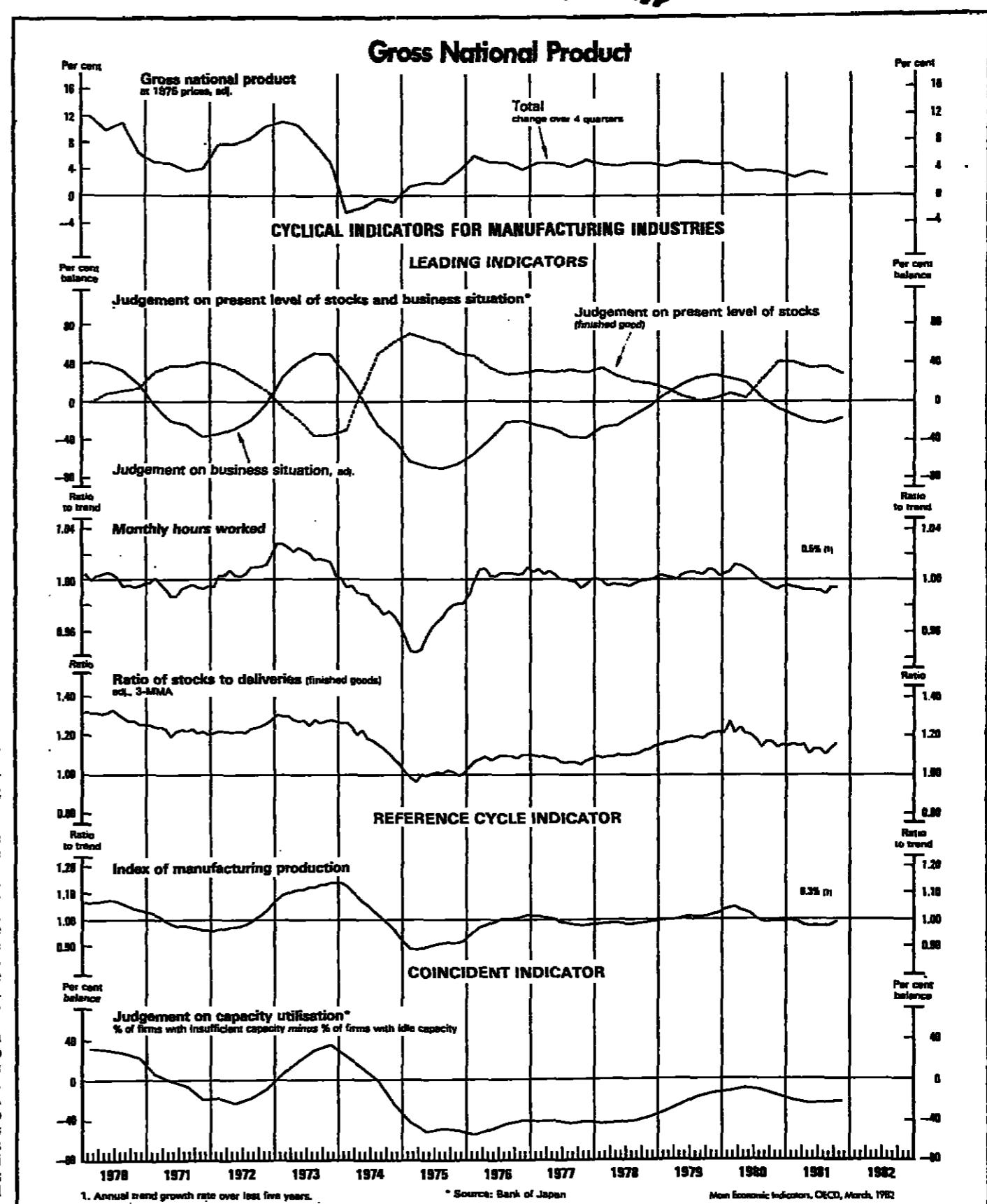
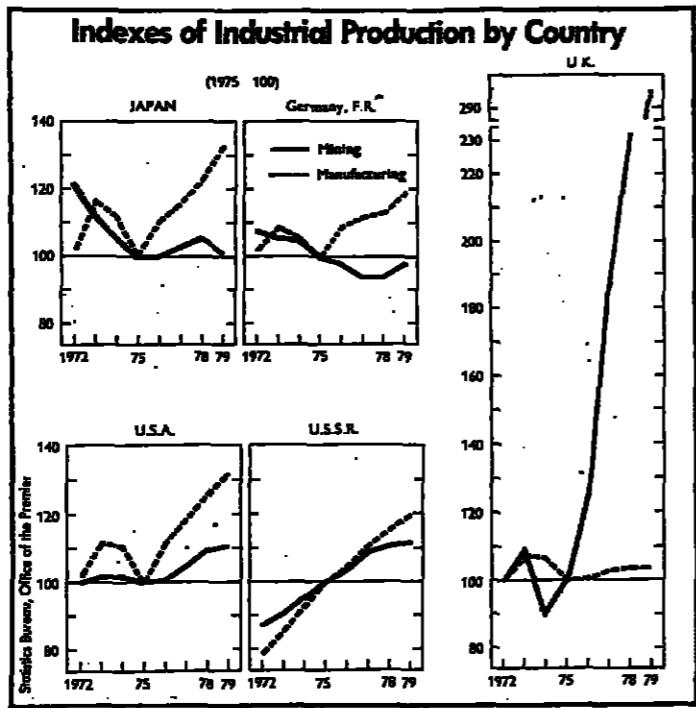
Laws can reach into remote corners such as the handing out of brochures. Thus, the Health and Welfare Ministry told a group of foreign exhibitors at a medical equipment show that the products it was displaying would have to be shipped outside Japan before application for entry could be made, because they had not yet received government approval. In addition, until the products were officially approved, the company was enjoined from handing out brochures on the equipment.

French cosmetic importers complain that they must affix Japanese-language labels, explaining the ingredients of their products on all the containers that health ministry officials choose for inspection. In general, officials inspect a surprisingly high 2 percent of what products. Executives complain that it is not easy to get a complete list of those products.

Once it is determined that a cosmetic ingredient has not been used in an approved Japanese product, importers must have their product tested for among other things, toxic and cancer-causing properties. Once again, the principle is that Japanese authorities will not accept such tests that have been carried out in Europe or the United States.

Sometimes it is difficult to determine what the government's policy is. Thus, importers were vexed in trying to figure out whether the Ministry of International Trade and Industry had really relaxed its rules on metric labels. In 1961, the MITI had ruled that all labels on foreign products had to be rewritten in metric measurements.

The move was not popular with American-product importers, who argued that the labeling changes were unnecessary and expensive. But when the rule was relaxed in 1978, apparently in response to American pressure, nobody seems to have heard about it. Customs officials seem to have continued their inspection work as before, as the rule change never filtered down through the bureaucracy.



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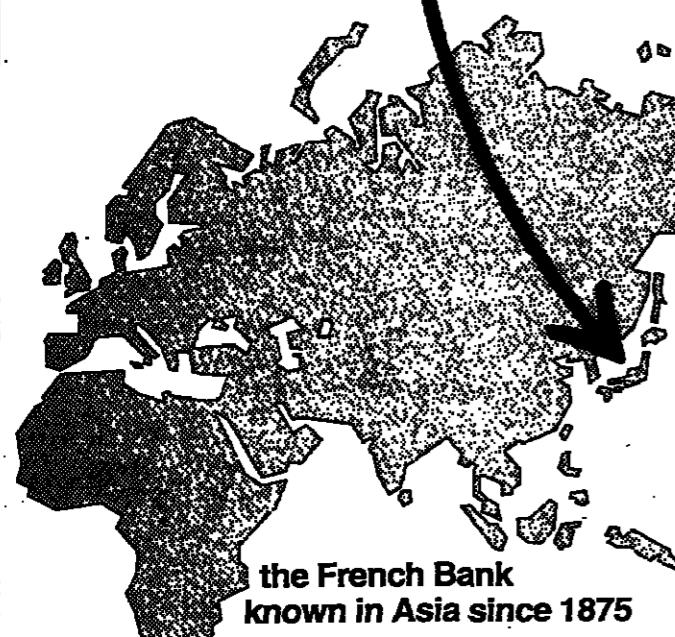


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Q.3 Please give us two companies in which you are most interested, with reasons to be provided in the blank underneath.

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Asahi Optical Co.			
Casio Computer Co.			
Canon, Inc.			
G. Itoh & Co.			
Dalei, Inc.			
Fujitsu, Ltd.			
Hitachi, Ltd.			
Hitachi Shipbuilding & Engineering Co.			
Honda Motor Co.			
Victor Co. of Japan (JVC)			
Konishiroku Photo Industry Co.			
Kawasaki Steel Corp.			
Komatsu, Ltd.			
Kubota, Ltd.			
Kyoto Ceramic Co.			
Kawasaki Kisen Kaisha, Ltd. ("K" Line)			
Mitsubishi Chemical Industries, Ltd.			
Mitsubishi Electric Corp.			
Matsushita Electric Industrial Co.			
Mitsui Engineering & Shipbuilding Co.			
Minolta Camera Co.			
Mitsui & Co.			
Mitsubishi Corp.			
Marubeni Corp.			
Mitsui O.S.K. Lines, Ltd.			
Mitsubishi Heavy Industries, Ltd.			

	Q1	Q2	Q3
Nippon Electric Co.			
Nissan Motor Co.			
Nippon Steel Corp.			
Nippon Yusen KK (NYK Line)			
Nissho Iwai Corp.			
Omron Tateisi Electronics Co.			
Olympus Optical Co.			
Pioneer Electronic Corp.			
Ricoh Co.			
Shiseido Co.			
Sumitomo Metal Industries, Ltd.			
Sharp Corp.			
Sony Corp.			
Sanyo Electric Co.			
Sumitomo Corp.			
Sanki Steamship Co.			
Seibu Department Stores Co.			
Silver Seiko, Ltd.			
Toray Industries, Inc.			
TDK Electronics Co.			
Takeda Chemical Industries, Ltd.			
Toshiba Corp.			
Toyo Menka Kaisha, Ltd.			
Toyota Motor Co.			
Teijin, Ltd.			
Yamashita-Shinnihon Steamship Co. (Y.S. Line)			

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Position: _____

Company name: _____

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JAPAN

Resisting a U.S. Bid for Defense Technology

TOKYO — The United States faces as much difficulty in persuading Japan to open up the secrets of its most advanced technology for military purposes as it does in penetrating the Japanese market.

"There is a deep-rooted fear that the United States might be lifting technology for private use," said a Japanese political consultant, explaining why local industrialists tend to oppose any agreement for sharing military technology under the U.S.-Japan security treaty.

Nonetheless, Premier Zenko Suzuki is expected to make good on his pledge to reach an understanding with the United States on sharing and exchanging defense technology in the next few months. "The United States cannot avoid getting something on defense," said the consultant, "though certainly it is not going to get the cream of our technology."

The debate on providing the United States with defense technology rages on at least three fronts: first, in the form of largely unpublicized discussions among business leaders and government bureaucrats; second, in the Diet (parliament) between leftists and members of the ruling Liberal-Democratic Party; and third, between U.S. and Japanese officials.

U.S. officials claim they have not presented the Japanese with a "shopping list" of what the Pentagon wants, but there is no doubt that Washington would like a sample of the special paint produced by TDK Electronics to enable planes and missiles to fly undetected by enemy radar.

Technical Achievements

To be sure, the United States is also working on "stealth" technology for a wide range of aircraft, but TDK Electronics evidently

leads in research and development on "ultra high-performance ferite," the magnetic-oxide substance that absorbs radio waves when mixed with paint. TDK is cooperating with the Japan Defense Agency's technical research development agency, which hopes to use "stealth" technology on ground-to-skip missiles by next year.

It was not until Dr. Orville R. Harris, a U.S. Army researcher, discussed TDK's achievements at a seminar at Andrews Air Force Base near Washington last October, however, that U.S. officials were fully alerted to just how far Japanese scientists had progressed. Dr. Harris said that the paint mixture produced by TDK could reduce a radio wave to 1/250th of its ordinary power.

U.S. officials also want to know much more about Japan's success in producing ceramic engines as prototypes, that is, to come into regular use in cars and even planes in the next 10 to 20 years. Kyoto Ceramics has constructed a three-cylinder diesel engine made almost entirely of ceramic material, installed it in the body of a car produced by Isuzu Motors and tested it near Kagoshima, Kyushu, on the southern island of Kyushu.

The test proved that ceramic components for diesel engines are feasible," said a report issued by the company, which is now planning to begin mass production of certain components as a prelude to turning out total ceramic engines. The engine still has "quite a few bugs," said a Japanese industrial source, "but it's coming along very well."

Ceramic engines will not only be more resistant to heat, but will also weigh less than conventional ones, and will ultimately lead to the pro-

duction of a new generation of planes with speed, maneuverability and range hardly imagined today.

At the same time, U.S. officials are also eager to obtain insights on high-speed computer and laser technology — the keys to the military hardware of the 21st century.

"The biggest problem is how to persuade the private sector," said a Japanese official, observing that Japan's electronic giants were understandably wary of parting with information that might give a commercial advantage to their American rivals.

The opposition raised by the distant-second-ranking Japan Socialist Party and other minority groups in the lower house of the Diet has given the government an excuse to postpone the final decision on technology exchange — and also is likely to persuade Japanese leaders not to agree to any plan for parting with more than absolutely necessary to appease U.S. demands.

Deeper Sensibilities

Socialists and Communists contend that any kind of exchange would violate the government's ban on exporting weapons and represent another departure from the postwar "peace" constitution that theoretically renounces "the threat or use of force," along with the maintenance of "land, sea and air forces," as well as other war potential.

Although Japan would seem to have deviated from this structure long ago by establishing self-defense forces, the issue touches on the deepest sensitivities. The Socialists won headlines, and considerable support in the national press, when they berated the government in February for ramming through a plan to modernize F-4 Phantom fighters with bomb racks and

missiles with speed, maneuverability and range hardly imagined today.

At the same time, U.S. negotiators believe that the government should just as readily agree to cooperate on joint projects as a way of providing technological expertise for military use. The United States prefers this approach to purchasing technology on a license basis, a system that would discourage original research in the United States.

Preferred Approach

Thus U.S. negotiators believe that the government should just as readily agree to cooperate on joint projects as a way of providing technological expertise for military use. The United States prefers this approach to purchasing technology on a license basis, a system that would discourage original research in the United States.

"As long as you're buying the technology from another country, you're hooked into keeping on buying it," said a U.S. official. He also expressed the fear that Japanese companies would only license less-advanced systems and keep the latest information for themselves.

"Until you get companies talking to each other and working together," said the official, "you don't know what the other side has." Among other areas he cited were microprocessing, computer chips, fiber-optics, entire production processes and overall designs.

The U.S. argument for persuading the Japanese to part with technology is that the United States

sights in the face of a 14-year-old agreement not to equip them with bombing gear.

Nevertheless, Japanese manufacturers appear eager to export their own finished products of possible military application, as evidenced by a sudden increase in the number of companies obtaining "nonweapon certificates" on exports from the Ministry of International Trade and Industry. A "nonweapon certificate" on a product means that it falls outside the regulation against exporting military material, even if the product later assumes a military purpose, as has already happened in certain types of specialty steel and integrated circuits.

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FORGING AHEAD: Japanese Type-74 tanks on parade.

applications of encouraging the growth of what remains a small defense industry. "Once you get this defense industry going, how will you stop it?" asked one official, observing that no major corporation relies on defense contracts for survival.

Not all industrialists shared the doubts of other businessmen and bureaucrats.

Japan "should be allowed to furnish the United States with technology related to arms," said Hosoi Hyuga, chairman of Sumitomo Metals, adding bluntly: "We should also be allowed to export weapons to the United States in case the United States needs help."

—DONALD KIRK

ticularly true over the last several years.

"Certainly, the trend has been for more and more Japanese manufacturers who might once have depended on sogo shosha, to undertake the development of overseas markets on their own. Toyota, Sony, Seiko and others have provided ample evidence that a Japanese manufacturer with the requisite product, resources and determination, can do a good job of reaching the foreign consumer. Today, sogo shosha handles relatively few exports from Japan such as cars, TVs, stereos, watches or cameras.

"An even larger consideration for us has been the end of Japan's 'economic miracle.' Starting with the first oil crisis in 1973, the Japanese economy as a whole has had to undergo a series of painful readjustments in moving from a 'boom' situation to maturity."

"There are many of us who were happy to discover that the end of the boom meant maturity and not 'bust' — but we did see the onset of crises in some industries such as aluminum and petrochemicals, and a radical slowdown of the economy as a whole. This, coupled with the new independence of Japanese consumer goods manufacturers, occasioned a good deal of gloomy talk about the demise, imminent or otherwise, of the sogo shosha.

Strategic Adjustments

"One reason the pessimists have not been born out, so far, is that the sogo shosha themselves were able to make some strategic adjustments in what was taking place. These, of course, are still being worked out and the verdict is far from in, but certain directions have begun to emerge."

"In the case of the Mitsubishi Corporation, I think that our domestic business, which now stands at 41 percent, is probably going to decline as a percentage of our total transactions. It is unlikely that domestic transactions are going to generate the long-term growth on which our future prosperity and viability depend. The same may be true of the standard bilateral transactions between Japan and its main trading partners, although this category still obviously affords some important untapped opportunities."

"But the slowdown in all the advanced industrial economies, the frictions caused by trade imbalances and the concern voiced in many places about protecting troubled industries, tend to inhibit the growth of trade rather than stimulate its flow."

"By the same token, if we look at some of the ways in which we have traditionally done business, similarly important conclusions emerge. While the sogo shosha's functions, in many of its transactions, is essentially that of a commission merchant, this in itself is hardly enough to assure viable future growth. Clearly, we need to be more creative about the ways in which we generate trade flows and the arrangements under which we participate, assume risks and realize profits."

"We therefore are actively involved in overseas ventures by investing and organizing joint-venture projects abroad to cultivate new sources of supply and new industries to fulfill future needs."

Long-term Strategy

"Geographically, more and more stress is coming to be placed on third country, or offshore, transactions: Korean jogging shoes and Brazilian coffee to the United States; cooling towers to the Philippines; power plant or a canning facility to a Venezuelan fruit juice

(Continued on Page 11S)

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Exports: Widening Gulf of Misunderstanding

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TOKYO — Rarely has there been a more obvious "misunderstanding" between Tokyo and its trading partners. Although the United States and the European Community are convinced that Japan is keeping the yen cheap, and the Japanese economy sluggish, to increase its trade surplus even further, Japanese economists and planners complain that they are doing everything they can to reduce that surplus.

They say that their hands are tied, by economic realities, from taking the fiscal and monetary measures needed to plot a true economic recovery. Only a vigorous domestic economic recovery would increase Japanese demand for imports, and cut Japanese industry's need to export in order to make a profit. But that economic recovery is beyond the power of Japanese planners.

As far as Europe and the United States are concerned, the recent depreciation of the yen — which has brought that currency to nearly 240 yen to the dollar — is symbolic of Japan's continued lack of cooperation on the trade front. Even as the Japanese claim to be taking measures to eradicate 67 "nontariff barriers" to trade, Japan seems to be allowing its currency to weaken as much as possible. A cheap yen, the argument goes, more than compensates for any trade liberalization measures by making Japanese goods even cheaper overseas — thus, even more competitive. Japan's surplus with the world will this year far exceed the 2 trillion yen of 1981, unless the yen is strengthened.

The assumption of both American and European observers is that, somehow, the Bank of Japan is not taking the measures it easily could take to strengthen the yen. Vast purchases of the Japanese currency would halt its sudden decline. But there is also the perception by some observers that the Japanese actually like what is happening to the yen. As one European banker in Tokyo expressed it: "The Japanese have traditionally complained when the yen got too strong. They know that their life-blood is exports, and they have to protect that by keeping the yen as cheap as possible."

Yen Strength

But Japanese economists and businessmen complain that it is no longer in their interest to have a cheap yen. They say, moreover, that they would like to stimulate Japan's economy to strengthen the yen, but that their hands are tied. "We now realize that a stronger yen is deflationary," said a steel executive, "and that we can, in any event, compete even with a stronger yen. Why, then, would we have to weaken it, and cause all these further frictions?"

For 9 Trade Giants, a Crossroad

(Continued from Page 108)
factory; Mexican industrial salt to Canada; Canadian pulp to Europe; European petrochemicals to the United States or American petrochemicals to southeast Asia ... and so on.

"Hopefully, it is not self-deception for us to believe that the shosha will have an important role to play as a facilitator and a participant in new trade flows involving both the advanced and developing nations of their world, including those of the Pacific Rim and those farther away."

"With the world economy growing more and more interdependent, the shosha really needs to make itself indispensable as an agent for bringing together the necessary elements for progress and assuring a smooth merger, whether the matter at hand is a new petrochemical plant in Saudi Arabia or a modern pineapple farming operation in Thailand, or a joint manufacturing venture in the United States."

"To realize this ambition, the shosha must be prepared to do more than collect commissions on routine shipments of commodities. And, in fact, we are doing more. For one, we have put our organization

ing abilities to work as a prime contractor for world-scale projects ranging from power plants to international airports. In these, we bring together the expertise of companies from many different countries and may even get involved in the construction of supporting infrastructure such as urban development programs in the developing countries, including high-rise apartment buildings, schools, hospitals, communications systems and television stations.

Marketing Subsidiaries

"Where the project is some sort of processing or production facility, such as a petrochemical plant, we may also be involved in the supply of raw materials and the marketing of the finished product.

"On the whole, we are gearing up to be more active and aggressive marketers of goods of all kinds. An increase in the number of internal marketing teams and marketing subsidiaries throughout the shosha's global network could be one near-term sign of the times."

"Perhaps the single most important key to the shosha's future is its emergence as a risk-taking equity-holding partner in those

— KEN ISHII

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These imports of iron ore, crude oil, and other key raw materials. And although that surplus is now growing at an annual rate of \$12 billion, private economists predict an eventual 1982 surplus of between \$15 and \$18 billion, unless dramatic measures to stimulate Japan's economy are taken.

Although Mr. Yoshitomi predicts a stronger domestic economy, even he admits that his assumptions include a decline in U.S. rates. "Almost all our predictions depend on the movement of the United States rates and the yen," he said. If American interest rates do not come down, he predicts, then it will remain impossible for the Japanese government to take the stimulatory measures required to help turn the trade figures around.

In such a case, it is clear that Japan's trading and current account surpluses will continue to mount beyond historic levels, despite any lip service measures to relieve "nontariff barriers." At best, the removal of such barriers will take several years to work its alleged magic, but the continued sluggishness of Japan's domestic economy would have clear and harmful consequences.

One American businessman in Tokyo said: "If the Japanese economy continues to be sluggish and if people continue to postpone their purchases of products vital to the household, such as automobiles and appliances, it is clear that Japanese industry will be under pressure to export as much as possible to keep productive levels high. There is no alternative, because industry cannot go out and fire thousands of workers."

Trade Performance

In some ways, Japan's spectacular trade performance is only a symptom of her poor performance at home; those great trade surpluses have only obscured that weakness.

Thus, while the world has long been aware of the sluggish automobile markets in the United States, little has been written about the very slow sales of Japanese cars at home. An American auto executive in Japan said: "Forcing Japanese industry overseas is perhaps the clearest example of sluggishness at home. They cannot sell nearly as many cars as they want at home, so they have to push their overseas sales." At best, however, even with government stimulatory measures, Japan's automobile market will grow by only 3 to 5 percent a year in the 1980s. The reason is that the market, like narrow Japanese roads, is saturated.

Even if the government fully liberalized automobile imports — relieving the host of nontariff barriers which remain and stimulated the Japanese economy to the hilt — it would not do much to stimulate automobile imports into Japan. Since the "pie" of automobile sales is expanding very slowly (perhaps 2 percent this year), and many Japanese auto companies are experiencing lower sales and lower profits, the auto companies would remain under great pressure to expand even further.

— KEN ISHII

port half their products, just to stay in business.

Japan's policy makers also find their hands tied, in a different way, as a result of their success in promoting energy saving measures. In the past, any growth in domestic demand would automatically lead to vast new expenditures in iron ore, coking coal, crude oil and

other key minerals. But with the development of energy-saving technologies, now widely dispersed through industry, each expansion in Japan's domestic demand leads to an ever smaller expansion in demand for vital imports of raw materials.

Thus, even if planners begrudgingly took the stimulatory mea-

sures that foreign pressure now demands, they would be less certain it would have the desirable impact on trade balances that it had in the past. "Certainly," said one government official, "we would have to stimulate things more, and take the risk of greater inflationary impact, in order to reach the same desired goal."

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Irritations Grow Over Difference of Views on Trade Liberalization

TOKYO — As tension persists in Japan's relations with its Western trading partners, Tokyo's government leaders are showing signs of a growing irritation with what seems to be a lack of appreciation of their determined efforts to open the nation's market wider to foreign products.

Unlike their attitude in some previous disputes, they are now reacting vigorously to continued pressure from the United States and the European Economic Community for further measures to facilitate access to the world's sec-

ond largest consumer market after that of the United States.

When the EEC Council of Ministers was recently reported considering the idea of invoking the General Agreement on Tariffs and Trade (GATT), Article 23, against Japan, Shintaro Abe, Minister of International Trade and Industry (MITI), bluntly invited the EEC to "reflect on its own behavior before finding fault with Japan."

The EEC applies discriminatory measures against the importation of 51 Japanese goods," he said. "It further imposes a surtax

on agricultural imports. In effect, it is restricting trade to a greater extent than Japan does."

Article 23 can be invoked when a GATT member believes that international trade rules are being nullified or impaired.

Similarly, when the United States called for a further liberalization of the services sector in Japan, the Ministry of Finance promptly retorted that the banking, securities and insurance markets in this country were already entirely open, adding that foreign businesses in those fields were ac-

cording equal or even better treatment than Japanese firms.

Not content with such defensive actions, Japan is turning the tables on its critics. It will soon officially complain that the United States and Australia are trampling on GATT rules.

It intends to take before the GATT Commission, invoking Article 23, the increase in the American import tariff on automobile cab chassis from 4 percent to 25 percent and the Australian limitation on the importation of Japanese-made video tape recorders. Bilateral talks on these two issues have proven unproductive.

This litigious mood reflects a growing and pervasive feeling among the Japanese that their country is being used as a whipping boy for the world's economic troubles, in spite of their having overtaken backward to lessen trade frictions.

Their position is that they have not done anything wrong except to succeed. Being thus convinced that they are right, they tend to consider that the U.S. and European trade deficits with Japan are the fault of the West.

A typical comment is that made by Yasushi Hara, editor for international economic affairs of the influential Asahi Shimbun newspaper, who said that Western nations risk embarking on a "dangerous path if they continue making a scapegoat of Japan" and added: "It is time for Japan to shed its small-country complex and to take up the role of a major nation."

Japan last year had a trade surplus of \$10.3 billion with the EEC and \$18.08 billion with the United States.

Lifting Barriers

The Japanese government adopted, on Jan. 29, one of the most far-reaching attempts to make the nation's market more accessible to foreign exporters by lifting scores of nontariff barriers and dismantling a dozen more.

The action was in response to 99 United States and EEC demands for the improvement of import testing, standards, licenses, customs and other procedures affecting such goods as pharmaceuticals, medical equipment, electrical appliances, motor vehicles, some agricultural commodities and consumer goods.

The government agreed to improve import procedures for 67 of the requests, said it would study nine other items and left eight unchanged. Fifteen others were described as having already been amended to conform with accepted international standards and

procedures.

In addition to the dismantling of nontariff barriers, the Japanese government decided to advance, by two years, a reduction in customs tariffs for 1,650 industrial products.

These cuts were agreed upon in the so-called Tokyo Round of multilateral trade negotiations under GATT auspices in 1979. Under the terms of the agreement, Japan was to cut by 50 percent its tariffs on

industrial products against 31 percent for the United States and 27 percent by the EEC. These cuts were to be implemented by eight equal installments beginning in January, 1980. Japan has unilaterally increased the first installment by two-eighths. As a result, Japan's overall import duties will fall to 3.2 percent on the average, bringing them to the lowest level among major industrial countries.

At the same time, the government created the Office of the Trade Ombudsman (OTO), headed by the deputy chief cabinet secretary. He will coordinate the operations of the new offices established in 12 ministries and agencies to listen to trade grievances and seek their disposal.

The blueprint for this sweeping

action was drawn up by an ad hoc committee on external trade problems of the ruling Liberal-Democratic Party in 23 meetings held since its establishment on Dec. 9.

Swift Action

This swift action, compared to the usual inchworm pace of Japanese government decisions on trade, reflected the seriousness with which government and business viewed their trade problems.

The party committee that pushed through these reforms with unprecedented speed was chaired by Masumi Ezaki, who once headed the MITI, which, from the 1950s to the mid-60s, earned the ill-fame of being the bastion of hidebound protectionism.

The official dogma observed by the bureaucrats then was that Japan was a poor island nation with natural resources that has to import raw materials and export manufactured products while remaining self-sufficient in agriculture and manufactured goods in order to survive.

We wanted these steps to be taken at the initiative of elected representatives of the people so that the world would know that our nation was in favor of them," said Tatsuzo Mizukami, president of the Japan Foreign Trade Council, in an interview. Mr. Mizukami, a former president and later chairman of Mitsui Co., Japan's second largest trading house, said he had long been an advocate of free trade because it brings mutual benefits to all participants.

Mr. Mizukami declared that he had campaigned for the last 30 years to enable foreign business to have freer access to the Japanese market, together with his successor at the head of the mammoth firm, Yoshizo Ikeda, who is chairman of the private Manufactured Products Import Promotion Organization (MPIRO).

Trade Liberalization

In addition to the dismantling of nontariff barriers, the Japanese government decided to advance, by two years, a reduction in customs tariffs for 1,650 industrial products.

These cuts were agreed upon in the so-called Tokyo Round of multilateral trade negotiations under GATT auspices in 1979. Under the terms of the agreement, Japan was to cut by 50 percent its tariffs on

industrial products against 31 percent for the United States and 27 percent by the EEC. These cuts were to be implemented by eight equal installments beginning in January, 1980. Japan has unilaterally increased the first installment by two-eighths. As a result, Japan's overall import duties will fall to 3.2 percent on the average, bringing them to the lowest level among major industrial countries.

With this trade liberalization package, Japan's leaders hoped to see the reduction in the pent-up resentment of the United States and the EEC that had developed through the years over their frustration in being unable to penetrate the Japanese market.

"This positive response on our part should be understood as reflecting Japan's maximum efforts and sincerity," Foreign Minister Yoshiro Nakasone declared to foreign correspondents at the time.

Voluntary Restraints

Many Japanese are concerned with this persistent attitude on the part of their country's Western trading partners, which, they contend, seems to ignore the concessions Japan has made to ease trade frictions by reducing its merchandise trade surplus.

They point to the voluntary restraints that Japan has adopted on exports of automobiles and television sets, to the admission of foreign bidders to government procurement, to the sending of official import missions abroad to buy foreign goods, to the imports of commercial aircraft to be leased to foreign airlines and to the purchase of Japanese ships from their foreign owners.

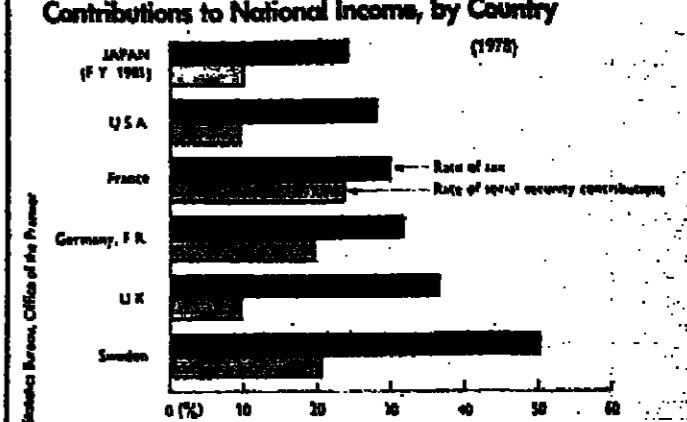
Government agencies such as the Japan External Trade Organization (JETRO), originally set up to promote Japanese exports, now produce marketing surveys for foreign commodities with a sales potential in the Japanese market and organize trade fairs and seminars for the benefit of foreign exporters.

Japanese big business, they add, has offered marketing assistance to foreign businessmen while MPIRO holds exhibitions of foreign products to acquaint the Japanese public with what can be bought abroad.

One major Japanese electronics firm has even run advertisements offering to assist exporters in promoting their sales in Japan. The ads were headlined: "We export our products; you can import yours."

Against this background, Mr. Ezaki, who nailed together the package for eliminating or lowering nontariff barriers, said he hoped that "exporting countries will make sufficient efforts" to take advantage of the newly adopted

Rates of Tax and Social Security Contributions to National Income, by Country



ed measures, while Foreign Minister Sakuruchi said that it was now up to American and European businesses to exploit Japan's market liberalization efforts to increase the sales of their goods in this country.

Toshiro Nakamura, chairman of the Mitsubishi Bank, deplored the fact such statements may give rise to the interpretation that Japan now considers "the ball to be in the West's court" and does not intend to take further steps to open its market to foreign interests.

"It was not meant in that sense," declared Mr. Nakamura, who heads the committee for Japan-European trade relations in the Keidanren, the powerful Federation of the Japanese Economic Associations. "We shall continue our efforts to allow any discontent that prevails, in addition to the steps we have already taken, through candid discussions with our partners." He added: "If we can be provided with specific grievances, we shall consider them and pass them on to the appropriate government agencies for disposal."

Mr. Nakamura remarked that some Europeans seem to assume that because a product is successful in their traditional export markets it will also appeal to the Japanese market. "Because European household appliances sell well in the Balkans," he asserted, "that is no reason why they should find a ready market in Japan. After all, conditions and tastes differ."

Mr. Nakamura pointed out that the Japanese consumer has traditionally prized imported goods. "Such items made from English textiles are a widely accepted status symbol among men, while women closely follow the dictates of European fashion." However, imported goods, he admitted, tend to be highly priced by the time they reach the retail level after having moved through the complex Japanese distribution system. These high prices enhance their appreciation among consumers but, on the

other hand, limit the quantity of imports.

The labyrinthine structure of the Japanese distribution system has frequently been described by foreign businessmen as a nosmuffin barrier against imports. They look upon it as a nightmare that runs counter to their ideas of efficiency.

"The large number of middlemen in this system," Mr. Nakamura said, "does slow down the flow of commodities and increases their price because of the trading margins collected at each stage of the distribution pipeline."

On this subject, Mr. Mizukami observed that Japanese companies have to live with this distribution system. They also have to deal with wholesalers to dispose of their goods. It is therefore wrong to say that the system is specifically designed to impede the flow of imported products."

"There are 930 Japanese enterprises in the United States, where 22,000 Japanese are employed," he said. "In Japan, we have 170 American businesses with 1,600 U.S. citizens working in them. As for Europeans, many of them tend to consider Japan as a part of the Asian market."

"They do not take into consideration the character of our consumer market, which strongly reflects our cultural level. Japanese consumers have come to require high quality in the goods they buy. When you consider that we have a population in excess of 100 million, with a high purchasing power, it is a promising market."

But he added: "To penetrate it, foreign businessmen must not forget that we are an industrially developed nation where goods that are welcomed in other parts of Asia are not necessarily well received."

— ROBERT Y. HORIGUCHI

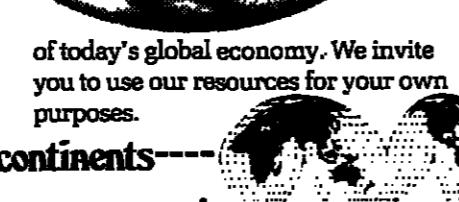
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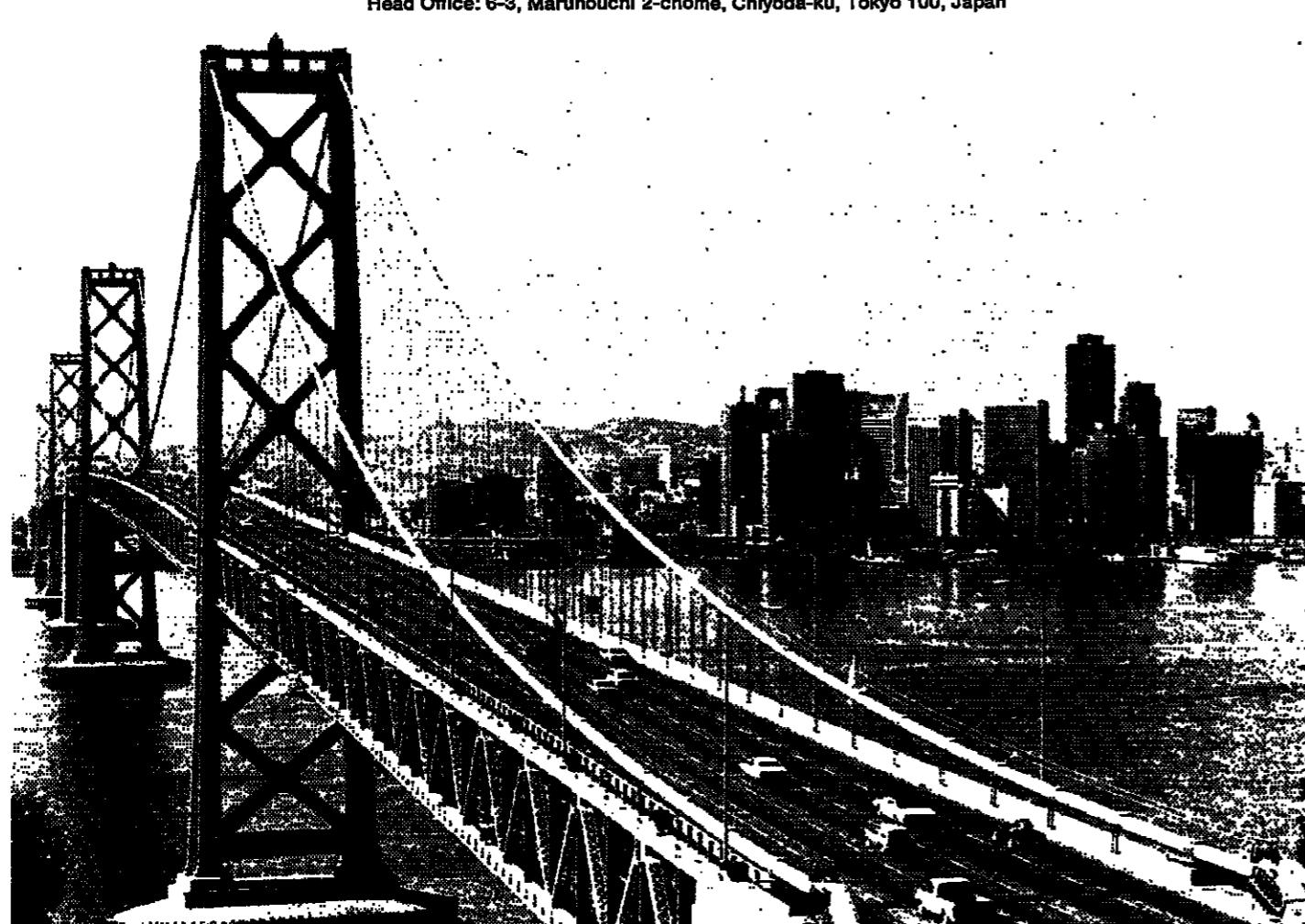
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New City For 1990s

(Continued from Page 7S)

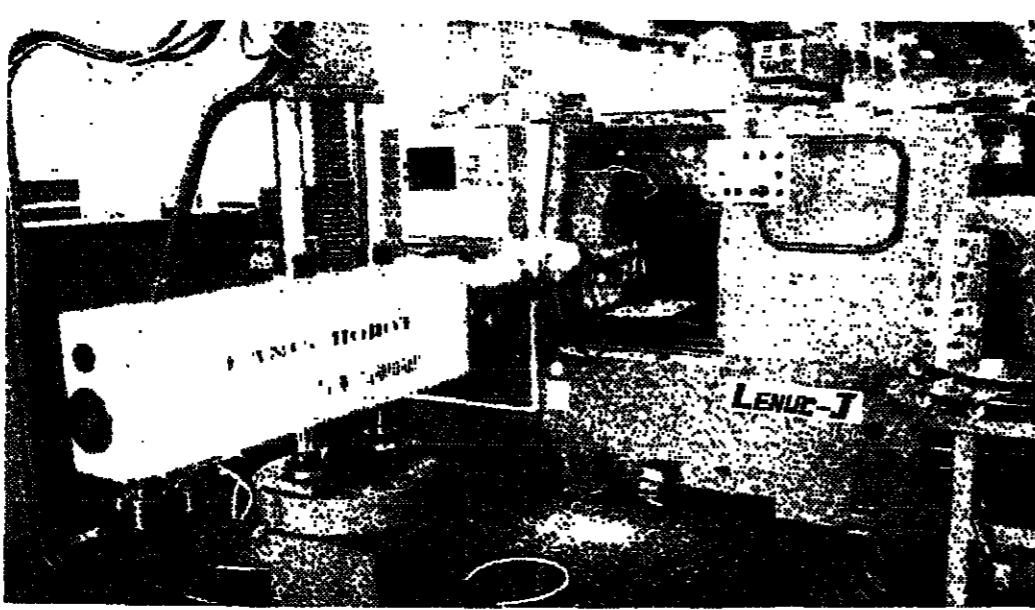
with technological knowledge seeming to increase by geometric progression, millions of Japanese may not have to commute to work at all. They could instead stay in their own homes, each equipped with a computer for job, research or study — and communicate entirely by facsimile transmission. Japan's quasi-governmental Nippon Telegraph and Telephone Company (NTT) has installed the first fiber-optical test cables over which ordinary home subscribers will routinely send facsimile messages by the year 2000.

It is possible to transmit facsimiles by ordinary coaxial cables made of copper, say NTT engineers, but fiber-optical wiring heralds a wideband service or single digital system carrying telephone conversations along with data, radio and TV programs, plus handwritten notes. The problem now, according to Nobuhiko Horikoshi, chief researcher in NTT's engineering bureau, is that transmission of video signals over existing cables is simply too expensive for most consumers. With fiber-optics, NTT expects to keep increasing the capacity of each fiber and to pack at least five times more than now fit into a cross-section.

Add to the advantages of fiber-optics the proliferation of information retained in computers, and you have the answer to one of Japan's most vexing problems in communicating — namely that educated Japanese read approximately 10,000 different Kanji or Chinese characters in addition to their own 48-letter Hiragana and Katakana alphabets, the latter used largely for words picked up from foreign languages.

The need for vast memory banks to store up all these thoughts has doubtless lent urgency to the quest for the ultimate in microchips. Five Japanese manufacturers now have 40 percent of the world market in 64K-bit Random Access Memory (RAM) chips, each of which can store slightly more than 64,000 pieces of information, and are experimentally producing 256K RAM chips with four times the memory. The 64K chip can retain 300 Kanji, the 256K as many as 3,000 — and the 1,000K, or megabit, expected in several years, will absorb all of them.

With at least two Japanese companies claiming to produce the world's fastest computer, the Japanese believe that their own manufacturers are nearly, if not exactly,



CREATING THE CREATORS: A Tokyo factory turns out industrial robot machinery.

on the same level as IBM. The No. 1 company for computers in Japan, Fujitsu, is developing a gallium-arsenide semiconductor that will be 25 times faster than silicon and will probably turn out fifth-generation computers responding to voice commands and reading charts and graphs, by the 1990s.

The key to that feat may be the Josephson Junction device that conveys electrons faster than any other type through super-thin pieces of metal at a temperature of 270 degrees below zero. While Fujitsu gears up to manufacture its HEMT or High-Speed Mobility Transistor with gallium arsenide, both MITI and the government's Science and Technology Agency are financing the research needed to perfect the Josephson Junction in the race to beat IBM into mass production.

Equally dramatic is the scramble to increase the speed at which people transport themselves and their products. Japan National Railways (JNR) plans to lengthen, from 7 kilometers to 30, the track on the southern island of Kyushu on which it has already tested a train speeding along 10 centimeters above ground at speeds up to 514 kilometers per hour.

By the late 1990s, said Jiro Hayashi, a policy planning officer at the Ministry of Transport, the JNR will have inaugurated a regular service on a super-conducting magnetic levitation railway system designed to replace the vaunted "shinkansen" or bullet trains, which are already speeding along at more than 200 k.p.h. from Kyushu to Tokyo — and which are on the verge of running on new routes to the northern island of Hokkaido.

considered the front-runner in application of this science."

In the race to catch up, keep pace or stay ahead, the Japanese suffer from one great handicap — the nation's lack of raw materials, notably crude oil. The answer to that problem lies in part in MITI's Sunshine Project for extracting energy from the sun's rays, from geothermal resources and from coal liquefaction and gasification — all in addition to programs for drastically changing the number of nuclear power stations and substituting coal for oil in heavy industries.

Sanyo Corporation is building homes complete with vacuum solar cells, and cameras and pocket calculators powered by light rays are on the market. The next step logically, is a factory run on solar energy stored underground in hot-water tanks — another possibility for testing in a technopolis of the 1990s.

Japanese Ingenuity

Is there any limit to the ingenuity of the Japanese in confronting the impact of future shock?

In the Tokyo suburb of Mitaka, a smiling entrepreneur of Korean descent named Kimiyase Ase, who never attended high school, demonstrates a startlingly imaginative perception of a coming era. Three years after opening a "capsule hotel" with berths for 70 persons, he is marketing his "life capsules" in Japan and soon will export them. Large enough for one to sleep in, equipped with TV, fold-out writing tablet and reading lamp, the life capsule may be as significant an omen of the next century as the last word in robots or computers.

In effect, the planners hope that

The Shaping Up of a Lopsided Economy

(Continued from Page 7S)

cites the government is committed to reducing expenditure, rather than expanding it.

A further reduction in interest rates also seems to be ruled out. The wide gap between Japanese and U.S. interest rates is largely responsible for the current serious undervaluation of the yen. To widen the gap further would invite even more trade trouble and friction.

The one bright spot on the horizon is the low rate of inflation — now less than 4 percent a year. If and when U.S. interest rates fall, the government can move quickly to loosen money policies.

Trade Issue

The other possibility is to try to solve the trade issue, and so find new markets for Japanese exports. Continue to popular belief, the past oil shock helped rather than hurt the Japanese economy. High prices for imports allowed exports to expand rapidly and pushed Japanese industry into important energy-saving investments.

In the same way today, a rapid liberalization of the Japanese economy to reduce trade criticisms and expand imports would also help rather than harm. But the Japanese seem determined to keep to their present conservative course in trade matters.

Most Japanese commentators remain surprisingly optimistic about the immediate future for their economy. Most are predicting a GNP growth of around 4 percent for the coming fiscal year. The government target is 5.2 percent, despite the fact that its 4.1-percent target for this year seems unlikely to be reached.

Some faith is pinned on a slow recovery in the world economy, allowing Japan to go back to export-led growth, though the recent trade pressures on Japan from both the European Economic Community and the United States will doubtless blunt optimism in this direction.

Domestic Demand

But the main hope is for a recovery in domestic demand. From a fall of 6.0 percent in 1980 and a very small growth in fiscal 1981, consumer spending, it is hoped, will rise by a real 3.9 percent in 1982. Housing is supposed to rise by around 10 percent, as compared to virtually zero growth in fiscal 1981. In a startling reversal of the current situation, domestic demand is supposed to contribute to 80 percent of growth, leaving only 20 percent for the export sector.

In effect, the planners hope that

1982 will see the beginning of a rebound from the suppression of demand over the last two years. The other hope is that the annual wage negotiations this spring will lead to some improvement in consumer purchasing willingness.

Under the impact of the second round of oil price increases, real wages have shown very slow rates of growth in recent years, and last year may even have turned downward. But with a nominal wage increase of 6 to 7 percent expected this year, and low inflation rates, some improvement in consumer confidence is expected.

Given these problems, some are beginning to speculate whether the government might not be forced in the near future to take another look at the possibility of inflationary policies. Deliberate inflation

would also do something to take the edge off current trade criticisms.

The discount rate could be lowered from its present 5.5 percent, bringing down interest rates from the current 8-to-9-percent level. Already there is some talk of the government for the third year in succession resorting pressure to adjust tax rates for inflation, will also have a depressing effect.

Given these problems, some are beginning to speculate whether the government might not be forced in the near future to take another look at the possibility of inflationary policies. Deliberate inflation

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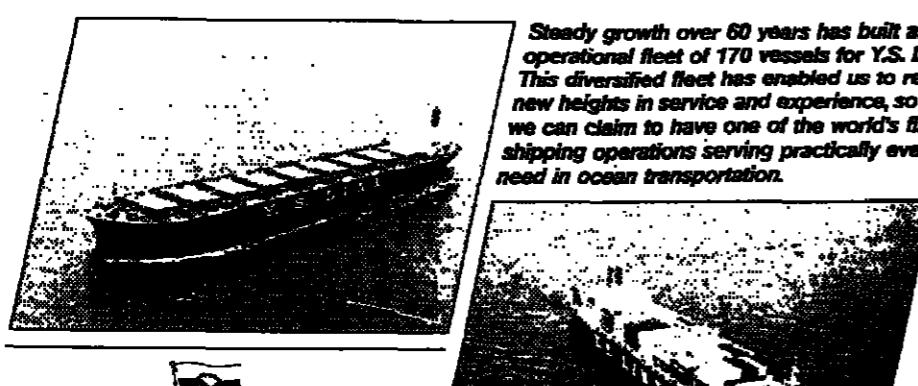
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JAPAN

Taking a Look Behind The Dazzling Figures

By Robert J. Samuelson

TOKYO — In the middle of this city, you can visit a model housing development. By American standards, the homes are modest, even a bit cramped. But in Japan, they are luxury homes, and the saleswoman showing them admits that the builder doesn't expect to sell many. The idea is to attract customers and then persuade them to buy smaller models.

Visiting the housing project provides a useful reminder that, for all its accomplishments, Japan is still behind the West in many areas. The notion of Japan as No. 1 — the catchy title of a book by a Harvard professor a few years ago — needs considerable qualification.

There are two Japan: one with considerable flaws, the other a spectacular success story.

The differences are important if Americans are to keep Japan's economic advance in perspective. Failing to recognize the weaknesses risks creating a national inferiority complex, a feeling that Japan is doing everything right and the United States, everything wrong. But Japan's success also has a lot to teach Americans.

Dazzling Statistics

The first Japan is less than the economic miracle it's cracked up to be. To be sure, its performance — by the statistics — has been dazzling. Between 1950 and 1980, its per capita income rose from one-thirteenth of the U.S. level to about four-fifths. Japan's recent economic record has been especially impressive. In the 1970s, its annual growth averaged 5.3 percent, compared with 2.5 percent for the United States and 3.1 percent for West Germany.

But the statistics hide major differences between the United States

The economic miracle that has taken place in the last two decades is impressive, indeed, but the nation is still burdened with its own inefficiencies.

and Japan that represent a huge gap in real living standards — a gap that may take decades to bridge.

Housing is the most conspicuous. The average Japanese family has living space of about 850 square feet, slightly more than half the average for Americans. Attributing this to Japan's high population density is a mistake. Belgium's population density exceeds Japan's, but living space is considerably greater. The culprits are the peculiarities of land ownership, boosting real estate prices, and steep construction costs.

Leisure time represents another huge difference. Workers in banks, government offices and many small shops and firms still work part-time on Saturdays. Vacations and paid holidays are fewer than in the West; a two-week summer vacation is rare. And people work longer. In 1980, nearly half of Japanese men over 65 worked, compared with one-fifth in the United States.

Finally, the Japanese spend a far larger portion of their income (nearly 30 percent) for food than do Americans (about 20 percent), and they receive less. This reflects not only the superior agricultural endowment of the United States but also Japan's costly policy of subsidizing small, part-time farmers.

To cite these shortcomings is not to demean the Japanese achievement. Most Japanese now live an essentially middle-class existence — something not true 20 years ago — and not even a decade ago, almost everyone worked a six-day week. But the country is burdened with its own inefficiencies. It has a huge sector of small firms, where productivity and wages are lower than in the bigger, export-oriented companies. With about half the population of the United States, for instance, Japan has almost the same number of retail stores.

Little of this seeps abroad, where the second Japan — the spectacular success story — dominates public consciousness. Its auto and steel industries are probably the world's most efficient; in electronics, it leads in consumer products (stereos, calculators) and is challenging U.S. firms in semiconductors and computers.

Tadao Uchida, an economist at

Tokyo University, attributed this superior performance to management and worker attitudes toward technology. Engineers, he says, are far more likely to rise to top management. Equally important, workers generally accept new technologies. Both management and workers see a common interest, reduced costs and increased sales.

Inflation Held Down

Similar attitudes affect economic growth. Japan is exceptional among highly industrialized nations in having avoided a pronounced collision between a tight money policy designed to bring inflation down and rapidly rising wages designed to keep up with past inflation. Imported energy represents 85 percent of Japan's supplies, yet after the 1979-80 oil price explosion, Japanese workers accepted about a 7-percent wage increase. Inflation was held to 8 percent in 1980 and has subsequently dropped to about 5 percent.

What underpins these Japanese attitudes is insecurity. As a nation, Japan feels enormously vulnerable to outside events. It imports not only most of its energy but also much of its food and many critical industrial commodities, such as coal and iron ore. The word that recurs in conversations with Japanese is "survival." The Japanese are obsessed with maintaining their competitiveness. They must export to import.

The contrast with the United States and Europe is painful. Even in the direst circumstances, U.S. workers and managers often cannot assert common interests. Only recently, General Motors Corp. and the United Auto Workers confirmed this by failing to reduce labor costs as a way to revive depressed car sales. The paradox is unmistakable. Feeling enormously insecure, the Japanese have so far insulated their economy from the insecurities that the United States and Western Europe — not feeling so insecure — are suffering with a vengeance.

Whether Japan's good fortune will continue is unclear. Much of its recent growth has reflected

buoyant exports. As Daniel Yergin recently pointed out in the New Republic, Japan remains exposed to the West's slump and to protectionism. Moreover, its economic vital signs — productivity, incomes and overall growth — have weakened since the early 1970s.

Americans can take no short shrift from this. The United States itself wealthier, but Japan has managed itself far better. Mindly, it has not taken economic success for granted. It has developed a national sense of self-restraint and drive attitudes as much as methods, explain its achievement.

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'Foreign Affiliates': Tenacity And Drive Are Big Advantage

TOKYO—Since 1967, when Japan began dismantling the most restrictive controls in the world on foreign investment, Tokyo's Ministry of International Trade and Industry (MITI) has kept a yearly tab on what it vaguely refers to as "foreign business affiliates" operating in the country.

Under this diffuse official label come all firms with foreign interests, ranging from those with a minimal 15 percent non-Japanese equity share to those of total foreign ownership.

MITI reported, on the basis of its latest survey last November, that collectively, the companies under this broad definition had aggregate assets of about \$43 billion, employed 261,000 people and had sales of approximately \$62 billion in fiscal year 1979 that ended on March 31, 1980. This constituted 22 percent of the aggregate assets of all business corporations in the country, 1 percent of the employed work force and 2 percent of total sales.

According to the survey, companies engaged in commerce predominated at 44.1 percent, exceeding for the first time in 14 years those in the manufacturing industries, which stood at 42.8 percent.

Foreign Affiliates

This trend was also evident among foreign affiliates established during the survey period. Commercial firms represented 53.4 percent, while manufacturing industries accounted for 32.4 percent. Those in the service industry represented 8.1 percent and "other industries" were 4.9 percent of the total.

Foreign affiliated firms are generally small in terms of capitalization. Those capitalized at less than \$435,000 constituted 65.2 percent of the total in fiscal year 1979. This tendency was also exhibited by newly established firms, 43.9 percent of them being capitalized at less than \$43,500, the ministry reported.

To arrive at these figures, MITI stated, it had distributed questionnaires to 2,281 "foreign affiliated companies," and 1,638 responded.

Of these, the ministry continued, 1,315 gave what it called "valid responses," trimming the response rate to 57.7 percent. However, said the report, this final group surveyed represented 87 percent of the total capital of all companies originally surveyed.

On the basis of these valid responses, MITI confirmed, it has established that firms in the manufacturing sector producing chemicals and general machinery were the most numerous, being tied at 9.7 percent, followed in decreasing numbers by those engaged in electrical machinery, pharmaceuticals, foodstuffs, transportation equipment, ceramics, precision machinery, nonferrous metals, textiles, metal products, oil and coal products and textiles.

Sales and Assets

Foreign affiliates engaged in oil-products manufacturing accounted for 32 percent of the aggregate sales and 35 percent of the aggregate assets of all companies coming under that definition.

Both the sales and the total assets of foreign-affiliated firms recorded an increase during the year under review, as did their after-tax net profits, which grew 21.7 percent against the previous fiscal year, but this was considerably lower than the 40.3 percent increase reported by all business corporations in Japan during the same period, according to MITI's analysis.

However, the net profit to sales ratio of foreign affiliates continued to remain higher at 2 percent than the 1.2 percent recorded by all businesses in the country.

When compared with major Japanese firms in all industry groups, the growth achieved by leading foreign affiliates, capitalized at more than \$4.3 million, exceeded that of the domestic companies. But their productivity fell below

that of national firms for the first time since the surveys were started 14 years ago.

Multinational corporations have invested in the Japanese food, paper and pulp, pharmaceutical, textile, chemical, oil, rubber, electrical machinery, electronics, nonferrous metal, ceramic, transportation equipment, general machinery and computer industries.

The latter was stricken from the prohibited list in 1975 while restrictions on foreign equity share ownership were also gradually relaxed.

Foreign Ownership

By fiscal year 1979, 18.5 percent of the foreign affiliates operating in Japan were linked to multinationals and these accounted for 82.6 percent of the sales of foreign affiliated firms, 82.1 percent of their after-tax net profits and 72.8 percent of their employees.

Among the multinationals, 127 were American and 28 were of other nationalities. American investments were most frequent in such industries as pharmaceuticals, ceramics (glass), precision machinery and general machinery. Among the non-American multinationals, a high participation was recorded in the chemical industry, with fewer entries in the petroleum, transportation equipment and other industrial sectors.

The opening-up of the Japanese economy to foreign investment began in 1964 when Japan joined the Organization for Economic Cooperation and Development amid mounting criticism among its tradi-

U.S. manufacturing investments have averaged an 18.5-percent return, but only after some had five years of losses...

ing partners that it was pursuing a policy of "insular internationalism" by trading and investing internationally while maintaining internal restrictions domestically.

The liberalization process, carried out at various stages, was slow and was not completed until 1972.

Until then, Japan permitted direct foreign investment only when it seemed necessary in order to obtain certain essential foreign technology not available by mere licensing contracts. Even then, the Japanese government favored direct investments in the form of joint ventures with equal 50-50 equity holdings.

Only minority interests were allowed for foreigners in manufacturing joint ventures, the major exceptions being firms continuing from pre-war days or so-called "yen-based companies."

The latter referred to foreign-owned corporations established without government approval. These were denied access to foreign exchange allocations for imports and to guarantees for the repatriation of their profits.

The establishment of such yen-based companies, however, was banned in 1963 as Japan prepared to join the OECD.

Liberization Program

When the first stage of the liberalization program got under way in 1967, out of 30 wholly owned foreign manufacturing companies, 29 were originally yen-based while another 29 foreign enterprises of pre-World War II vintage were still operating. Seventeen of these were European.

Included among them were Shell, IBM, NCR, Yokohama Rubber, Sumitomo Rubber (Ex-Dunlop), Toyo Otis elevators, Tokoku Sanso, subsidiary of France's Air Liquide, and Nestle.

The American and British-owned firms had been seized as enemy property after Pearl Harbor while the French company later suffered the same fate. These properties were restored to their original owners after Japan's surrender. Nestle, being Swiss-owned, was

still operating. Seven of these were

French.

Commenting on the investment climate in Japan, a veteran American businessman pointed out that U.S. manufacturing investments have averaged an 18.5-percent return but only after some of them underwent losses for five years or more. "The race can be run but only by corporations capable of great tenacity, patience and drive," he said.

In the last two years, U.S. companies such as Goodyear, Bell and Howell, Gulf Oil and Pfizer have pulled up stakes from the Japanese business arena.

Also giving up the race, to name only an outstanding few, were Household Finance, which had been operating for only three years, and the Grolier Publishing Co., which pioneered the door-to-door sale of encyclopedias in Japan. It had been in the country for 16 years.

—ROBERT Y. Horiguchi

The Powerful Automobile Industry Looks Homeward

(Continued from Page 75)
to the way in which production is managed. Despite all the publicity, there is little difference between the level of automation in Japan's car factories and the more modern ones in the United States and Europe.

Number of Advantages

Toyota and Nissan have a number of advantages over their foreign competitors — in wage levels, flexibility of operation, the industry structure and the justifiably famous just-in-time production-control system. Wages at Toyota and Nissan are about 65 percent of the levels in the United States, but that is understanding the Japanese advantage. The reason for this is that the Japanese companies make a fairly small proportion of the parts they use, and that their subcontractors pay considerably lower wages.

This is a feature of Japanese industry, where smaller companies do not expect to be able to pay as much as large ones, and for every person working at Toyota there is at least one other working for a subcontractor, doing a 45-48-hour week with limited fringe benefits. Thus, the real wage level in the Japanese auto industry is probably about half of that in the United States, where auto workers are paid more highly than other industrial workers.

In the Japanese auto industry, the shop-floor workers are not restricted by union regulations to do certain jobs. For example, the machine operator does a substantial amount of maintenance on his machine, and people are switched from job to job as demand fluctuates. Therefore, instead of a big team of maintenance men, there is a small team of specialists only — and that means lower manning levels, and lower overall wage costs. This pattern is reflected in other commercial.

In the "just-in-time" production-control system, components and sub-assemblies are produced only as they are used. In the normal production-control system, each department is told how many parts must be built that day. With the just-in-time system, the department is allowed to build parts only as they are used by the next department down the line.

In practice, this means that there would be only about 100 parts waiting to be used at any workstation in the factory.

Cost Advantage System

The same system is used between suppliers and the main factories, thus Japanese auto factories generally have tiny stores compared with those in the United States or Europe. According to investigations in the United States, Japan's auto industry runs on an inventory valued at about \$800 million, against more than \$8 billion for the U.S. industry, which is producing fewer vehicles. The just-in-time system, developed by Toyota, is clearly giving the Japanese a big cost advantage, which is magnified by the flexibility of the workforce and the low cost of parts.

But if these advantages were created by Japan's ingenuity, why should it restrain exports? To start with, Japan's auto industry was able to become so strong only because it was protected while it was small and its products were being produced at noncompetitive prices.

Nobuyuki Amaya, former Vice Minister for International Affairs with the Ministry of International Trade and Industry, recently admitted that "the United States gave Japan a 10-year-long respite after Japan joined GATT in 1955."

Thus, until 1965, the Japanese had their own market to themselves, and expanded at an extraordinary rate while improving efficiency. Without that respite, Mr. Amaya conceded, Japan's auto industry would not be as strong as it is today.

But if Japan's auto industry is to become truly international, it must manufacture in its biggest markets. Both Ford and GM have operated on this policy for many years —

Ford started building cars in Britain soon after World War I — as have such multinationals as IBM, ITT and ICI. Indeed, most of the Japanese electronics companies have recognized the need to manufacture in the United States and Europe.

is exported from Japan and one-third is made overseas. This will be the guiding principle in our auto operations in the future."

Thus, Honda will start producing Accords in a factory in Ohio next year at the rate of 150,000 units a year. It has also licensed British Leyland (BL) to build the Ballade sedan under the name of Triumph Acclaim in Britain for sale throughout the European Economic Community (EEC). Production started last fall, and should build up to 85,000 units a year.

In addition, Honda and BL have plans to design a new "executive class" car with an engine of 2.3 liters, which will be built in Japan and Britain starting in 1985.

Meanwhile, Nissan has followed a policy of internationalization as well. It bought an interest in Motor Ibérica, in Spain, for its commercial vehicle manufacturing base. Then next year, its small truck factory at Smyrna, Tennessee, will start building about 120,000 vehicles per year. About 48,000 of these cars are due to be sold in Japan and the rest exported to Southeast Asia.

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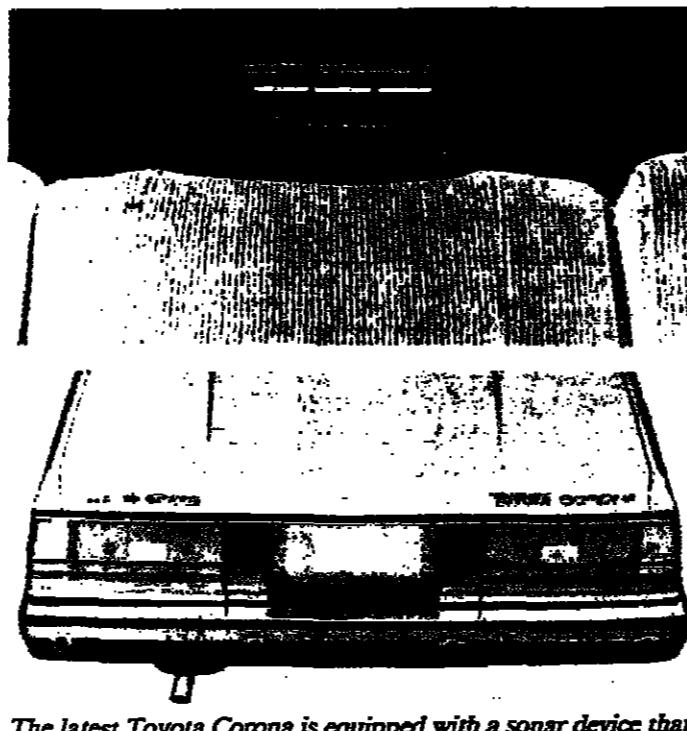
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JAPAN

Honda's City is small but has good room inside, including space for a tiny scooter.



The latest Toyota Corona is equipped with a sonar device that warns the driver when he backs toward an obstruction.

Fuel Economy Drive: A Turn for the Purse

TOKYO — In recent years, there has been a complete change in the level of technology of Japanese cars. Suddenly, electronics are everywhere; there are some high-performance cars, front-wheel drive is becoming common and there is one small car that rivals the European models in providing a lot of passenger space in a small vehicle.

The spur for these changes came when the Americans started to "downsize" their huge gas-guzzlers, and the Japanese realized that they would no longer be able to dominate the bottom end of the market.

To meet this challenge, Nissan redesigned two of its biggest selling sub-compacts, the Sunny and the Stanza. Previously, these were rear-drive sedans with very little interior space, average performance and inferior ride and handling qualities. The new models are neatly styled, and are as spacious inside as their European competitors. In addition, they are powered by new engines that are light and conserve fuel. Steering and suspension have been transformed, although they do not yet challenge the best European cars.

Toyota began expanding its range into the luxury-coupe market and introduced the Soarer,



Nissan's new front-wheel drive Stanza, in this case modified for a disabled driver.

which shares many mechanical components with the Celica, last year. It had a new 2.8-liter engine producing 170 horsepower, more than was previously available from a car of this size in Japan. The Soarer broke new ground for Toyota with its comfortable interior, good steering, ride, overall performance (the maximum speed is about 130 miles per hour) and in the use of electronics.

Mitsubishi Motors, whose engines have been at the top of the league in Japan for some time, won an accolade from no less a source than Porsche, the German maker of high-performance cars. For its new 944, Porsche obtained a license from Mitsubishi for the "silent shaft" design, which reduces the vibration level of four-cylinder engines.

Mitsubishi has also introduced a number of turbocharged engines, including one of only 1.4 liters for its small front-wheel-drive hatchback. Then came the MD (modulated displacement) engine, which is intended to reduce fuel consumption during low-speed driving. There is an electrohydraulic system that cuts out two of the four cylinders at low speeds.

The engine operates on two cylinders normally when it is idling and at speeds of up to 43 m.p.h. In

city driving, fuel consumption is claimed to be cut by as much as 25 percent.

The car that leads the new wave of Japanese technology is the Honda City, introduced at the Tokyo Motor Show last fall. It has a 1.2-liter engine and is 133 inches long, the same length as the British Leyland Mini-Metro and the Fiat Panda.

Honda engineers have made the City higher than the European models so the passengers sit more upright, adding to the comfort. It is also light, owing to the use of high-strength steel and plastics, while the engine is made from aluminum.

Although these designs stand out for certain features, the in-

crease in the use of electronics has been general. For example, Nissan, Toyota, Toyo Kogyo, Mitsubishi and Isuzu are using electronic controls for fuel injection, thus gaining better performance with reduced air pollution.

On-Board Computers

Toyota is also using electronics to control an automatic transmission, while on-board computers, electronic controls to maintain a steady cruising speed and electronically controlled air conditioners are all commonplace.

With the Soarer, Toyota became the first Japanese company to use a full electronic display for speedometer, tachometer, fuel and water-temperature gauges. The

speedometer has a digital readout, while the tachometer is in a strip form.

Since then, Nissan, Subaru, Mitsubishi and Isuzu cars with electronic displays have been introduced. Meanwhile, Honda has developed a remarkable device to help drivers navigate their way around strange cities.

There is a display screen that plots the course and maps are overlaid to find the car's position.

All of these ideas and products have emerged in the last year or so, and seem to be just the beginning of an era in which innovation is as much expected from Japanese automakers as it is from their counterparts in Europe.

—JOHN HARTLEY

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Wave of Caution Lapping At Market for Western Art

TOKYO — The vogue of the newly rich Japanese entrepreneur snapping up works of Western art with the same passion with which Japanese take photographs has died as surely as last year's fashion.

"They've become more cautious," a European art dealer in Tokyo said, trying to persuade Japanese collectors and dealers to purchase works by European artists at prices that might have appeared as bargains two or three years ago. "Some of them probably feel they were exploited."

Department stores still exhibit collections of French impressionist paintings, the most popular of the Western styles. Private collectors as well as huge corporations display their prizes with a pride befitting the cost, but Japanese art lovers basically seem more sophisticated and wiser than they were at the onset of the Western art boom 10 or 15 years ago.

"If we can find high quality in Western art, we are still prepared to buy," said a Tokyo dealer, carefully assessing the boom-and-bust quality of the Western art fad here. "Not only Japanese but everybody in the world likes French painting," he said, a trifle defensively, "but the art market for the past two or three years has been more quiet."

"Perhaps people are more selective and choosy," he said with an optimism hardly borne out under the current conditions of a rather stagnant economy. "We are hoping that rich people might start to think of buying works of art as a step against inflation." Right now, he said, "People are a little careful."

Dealers Withdraw

The withdrawal of Japanese dealers from world auctions has been especially noticeable to Sir John Figgess, a director of Christie's, now in the throes of deciding whether or not to keep staging annual auctions here after introducing the Western-style art auction to Japan in 1980.

"About eight or nine years ago, before the first oil shock, there was a tremendous boom in art," recalled Sir John, a former British army colonel who spent 20 years in Japan in diplomatic and official posts before joining Christie's in 1971. "Then the boom simply busted." — a debacle that he attributes to the first oil shock provoked by the 1973 Middle East war as well as to the changing tastes of Japanese buyers.

"In the late 1970s," said Sir John, "the Japanese were again buying — that is, until the second oil shock of 1979." Since then, he said, "we have seen very little activity on the part of Japanese dealers on the world art market."

The timing was unfortunate from Sir John's viewpoint, since Christie's in 1980 staged its first auction — a much-publicized affair that resulted in \$47.8 million in total sales. The total plunged to approximately 40 percent of that last year and fell again in February's auction to about \$15 million, not enough for Christie's to break even on expenses.

Just as revealing, Christie's this year focused largely on European prints along with Japanese works, including traditional scrolls and Western-style paintings, known as Yohga. "The market here has calmed down too much for European paintings," said a Christie's representative as Sir John himself waited to conduct the auction in Japanese. "Japanese buyers, when they do buy, prefer to go to London or Paris themselves" — very much in contrast with 1979 and 1980 when paintings by Chagall and Renoir, among others, were the star attractions.

Most discouraging about the latest auction was what a visiting French dealer perceived as the lack of "passion." There was little real feeling in the bidding — just a sense of mechanical listlessness were the star attractions.

in most cases as the prices gradually edged up to an average level below original estimates.

"I don't think the Japanese understand this auction system," said a Japanese collector who had never before attended an auction. "People who are interested in European art may find it of some use as an investment," he said, "but we don't have many opportunities to deal in auctions."

Sir John, who has been responsible for Christie's auctions here from the outset, believes they could turn into a Japanese tradition once the Japanese grow accustomed to them. "We are becoming more efficient in operating here," he said. "We believe, in time, it will be worth it. It's a question of conditioning people to the idea of the public auction."

Beyond that almost technical point, Sir John believes that the essential strength of the Japanese economy will justify the exercise. Moreover, he said, "the potential of the art market is great" — so great that he firmly believes that Christie's

"Man With a Wheelbarrow," by Millet
Dealers are hoping for a turnaround

should keep the foothold it has in the expectation of furthering the investment in yet another Japanese craze for Western art.

"The Japanese have learned a lot in the past 20 years about Western paintings," said Sir John. "The top dealers have studied the market. You've got a stagnant situation here. It's dicey, but when things recover, you can usually get better prices here than in London."

The Japanese themselves, if they are not investing in Western art as they did in the first rush to demonstrate their prowess in the market, often lend support to this viewpoint.

"Basically, the number of people interested in European art is increasing," said Tomoko Ogura, the owner of a gallery in Tokyo. "We're interested in works that would be accepted anywhere in the world." As proof, he noted that an exhibition of paintings by the French artist Millet opens here in the spring — "and many people will be interested."

A private collector, Dr. Shigayoshi Ito, said proudly that he had acquired 15 works in the Christie's auction at a cost of approximately \$15,000. "I wish they had such auctions more often," said Dr. Ito, who maintains a kind of research exhibit in his clinic in Gifu City near Nagoya.

"Japanese concentrate on well-known artists," said Dr. Ito, indirectly admiring the fascination with the image of the artist rather than his work. "but we appreciate European paintings much more than before and are happy to have them everyday where everybody can see them."

—DONALD KIRK



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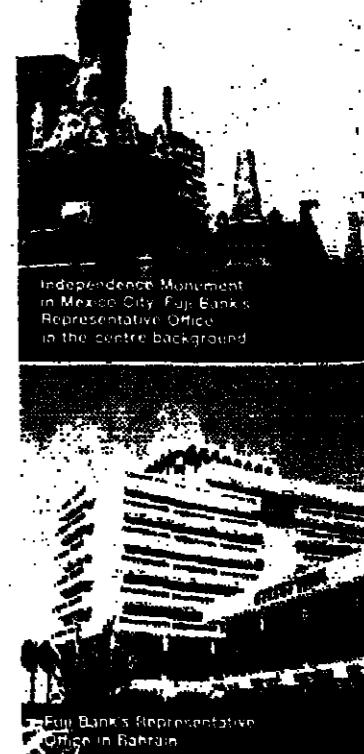
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Foreign exchange operations in Fuji Bank's Singapore Branch

\$12.1 Billion in Issues Is Record for Quarter

By Carl Gewirtz

International Herald Tribune
PARIS — A record \$12.1 billion of Eurobonds were issued in the first three months of this year, according to Morgan Guaranty Trust of New York, a 107-percent gain over the year-ago quarter and 7 percent ahead of the previous

EUROBONDS

quarterly record of \$11.7 billion in the final three months of last year.

Morgan's total is conservatively estimated, as this year's enormous volume of zero-coupon bonds is based at steep discounts is recorded at the amount raised rather than the much larger face value.

Equally impressive is the U.S. dollar's 88-percent share of the total volume, up from 85 percent for all of last year and within a hair of the all-time record 89 percent set 15 years ago. U.S. borrowers accounted for 27 percent of the new issues launched during the quarter, up from 19 percent last year and at little as 8 percent only four years ago.

The figures are stunning, considering that coupons on dollar issues which have ranged from 17% to 44% during the quarter (and 15% to 44% during the year) remain at record-high levels.

These seemingly generous conditions are in fact insulating investors from the foreign exchange risk inherent in purchasing dollar securities instead of Deutsche mark or Swiss franc or yen bonds. This is shown in the latest "Points of No Return" study issued by Siegfried Strauss-Turnbull in London.

The report noted that the dollar would have to drop 24 percent from the 2.37/15 DM exchange rate prevailing when the study was made to 1.79/82 DM in less than five years before it would become more profitable for investors to hold DM bonds yielding 9 percent instead of dollar paper bearing a coupon of 15% percent. Over 10 years, the dollar would have to have fallen 43 percent to 1.34/75 DM before it would become more profitable to hold DM bonds other than dollar paper.

The study said the dollar would have to drop 31 percent against the Swiss franc in five years, from 1.96/3 to 1.51/70 francs, before investors would do better to hold over yielding 17% percent) franc paper instead of dollar bonds.

Over 10 years, the dollar would have to drop 53 percent to 0.89/19 francs before the foreign exchange gains would wipe out the difference in interest income.

Against the yen, the dollar would have to drop 30 percent over five years or 53 percent over 10 years before foreign exchange gains would wipe out interest differentials, the study said.

Break-Even Rates

"Clients can use our 'break-even' rates to judge for themselves whether the fall in the dollar which will undoubtedly be occasioned if U.S. interest rates fall — will be sufficient to justify the loss of income attendant on a switch of dollar bonds," the study said.

But it concluded that "in the United States the conflict between fiscal profligacy and monetary restraint remains unresolved and until it is, interest rates are likely to remain high and the dollar with them."

Wall Street's view on where rates are headed remains clouded and Friday's report of a modest \$400-million drop in the money supply did little to clarify matters. The decline, in fact, was a washout considering the Federal Reserve raised upward by \$500 million the previous week's increase in the money supply. Overall, the money supply is still expanding faster than targeted and analysts remain worried that technical factors will result in very large increases in the weeks to come during April and May as the Fed to maintain a restrictive policy.

Following the successful issue of American Telephone & Telegraph bearing a low 14% percent coupon (trading at 99% after being paid at par), Gulf Oil is offering 175 million of 12-year bonds. Since three years, Gulf has the option to alter the coupon and investors have the right to require redemption. The coupon for the first three years has been set at 14% percent and the notes are being sold at a discount of 99% to yield the yield to 14.36 percent.

In fact, large investors with \$100 million to invest can pick up the paper at a point below the offering price, raising the effective yield to 14.8 percent.

General Motors Acceptance Corp., using the same formula, is taking \$100 million for 15 years, hoping to reset the coupon every five years. The initial terms include a coupon of 15.4% percent and issue price of 99% to produce a effective yield of 15.47 percent. Mexico's development agency, Fondo Nacional de Obras y Servicios Publicos (Banobras), is offer-

ing \$150 million of 10-year bonds bearing a coupon of 17% percent. Holders have the right to request redemption after only five years. However, that did little to sweeten the name for investors and the paper was quoted on a when-issued basis at a discount of two points.

By all accounts, the best-received issue last week was Pacific Gas & Electric's \$45 million of seven-year notes priced at par bearing a coupon of 15% percent. Swiss investors reportedly gobbed it up and the notes ended the week quoted at 100% to 101.

In the floating rate market, (Continued on Page 19, Col. 1)

Pace of Loans Shows Little Sign of Slow-Up

By Carl Gewirtz

International Herald Tribune

PARIS — Contrary to the widely held view that activity in the syndicated loan market is slowing, the first statistical glimpse of first-quarter activity shows that the volume of business is about unchanged from a year ago.

According to preliminary data compiled by Morgan Guaranty Trust of New York, some \$17.583 billion worth of Eurocommercial bank credits were arranged in the

SYNDICATED LOANS

first quarter, a scant 1.7 percent below the record \$17.89 billion registered in the first three months of 1981.

The figures indicate that liquidity in the Euromarkets lost from the oil exporting states' shift to net borrowers from net suppliers of funds was supplied by banks looking to deploy lendable funds that were not being taken up in their recession-hit home markets.

The two biggest changes in borrowing patterns were registered by OPEC countries, whose borrowing shot up 62 percent to \$3.11 billion — accounting for 17.7 percent of total borrowing compared to 10.7 percent — and Communist countries whose borrowing dropped 91 percent to a minuscule \$80 million.

The increase in OPEC borrowing is in line with previous indications that the oil exporters are suffering a cash squeeze as a result of smaller sales at lower prices. Venezuela, whose \$2.2 billion of new loans was double the amount taken a year ago, accounted for some two-thirds of the OPEC total.

The drop in lending to Comecon follows the financial plight of Poland and Romania and the subsequent risk reassessment of the entire area with the exception of the Soviet Union, which accounted for the total first-quarter borrowing.

Industrialized countries accounted for an unchanged 46 percent of overall borrowing but the total amount of \$8.21 billion was off 1.1 percent from a year ago. This little overall change masked rather big changes within the group. France, one of the heaviest borrowers in the year-ago quarter for a total \$1.4 billion, took nothing so far this year while U.S. entities, which took nothing a year ago, borrowed \$1.18 billion this year.

Non-OPEC developing countries borrowed \$6.04 billion, a decline of 9.7 percent, and accounted for 34.4 percent of total activity compared to 37.4 percent a year earlier.

Among the non-OPEC borrowers, Mexico remained the largest taker of funds for a total \$2.64 billion up from \$1.47 billion a year earlier. Brazil was second with \$1.01 billion, up from \$982 million.

(Continued on Page 19, Col. 4)

Belgian Steel Problems Highlight European Struggle on Free Trade

By Paul Lewis

New York Times Service

PARIS — Belgian steelworkers rioted in the streets of Brussels, Charleroi and Liege last week protesting European Common Market orders that would wipe out 10,000 jobs in the depressed French-speaking region of Wallonia, where Cockfield-Sambre, a troubled steel company, is the largest employer.

Two hundred policemen were injured and strikes closed most of Belgium's steel plants. A general strike was called for this Friday, threatening to topple the precious right-wing coalition government.

Last year the 10 Common Market countries agreed to end all state aid to steelmakers by 1985. Much of Europe's steelmaking capacity, they admitted, has

been rendered permanently noncompetitive by changing patterns of demand met by more efficient producers outside Europe.

Etienne Davignon, a Belgian who is EEC commissioner for industry, had advised the Belgian government to force Cockfield-Sambre to do away with the jobs so the company would no longer need state assistance.

Since 1977, Common Market countries have shed more than 150,000 steel jobs under cover of a series of cartel-like price- and production-fixing agreements that shielded their industry from international competition. But while Britain cut jobs by nearly 50 percent and France by about 25 percent, Belgium eliminated only about 1 percent.

Even so, European steel producers

lost about \$2 billion last year, most of it picked up by their governments. The Common Market executive commission warned last summer that to eliminate subsidies 150,000 more jobs must go.

Belgium's steel woes are only the most visible part of difficulties that all European governments face as they struggle to uphold free trade in a time of low economic growth and growing pressure for protectionism.

The big tariff-cutting negotiations of the 1960s and 1970s and the abolition of internal duties within the Common Market have reduced most customs duties to insignificant barriers to imports.

To raise these duties would be highly visible, exposing governments to penalties by GATT, the General Agreement

on Tariffs and Trade organization in Geneva, and elsewhere. In public at least, they accept the need for phasing out uneconomic industries to make room for new competitive ones.

But rising unemployment and the plight of their increasingly troubled older companies have encouraged them to intervene with other forms of aid, and to force-feed the new industries they are counting on for the future. Frahois Duclerc of the European Research Center at Britain's Sussex University, notes that low tariffs have helped shift official intervention to "financial and other forms of government intervention which are more difficult to monitor."

Government aid ranges from repaying steelmakers' losses to subsidizing construction of new industries. Also, gov-

(Continued on Page 19, Col. 5)



Yoshiro Sakuruchi

Judge Orders New Hearing In IBM Case

New York Times Service

NEW YORK — Judge David N. Edelstein has ordered a court hearing to determine if the dismissal of the government's antitrust case against International Business Machines should be overturned.

Judge Edelstein ordered the hearing for April 8 in Federal District Court in Manhattan. He acted on a motion by Philip M. Stern, an author and philanthropist, who asked to appear as a "friend of the court" to question the IBM dismissal.

In Europe, the long-awaited loan for Greece is finally coming to market. The size is larger than had been expected — \$540 million instead of \$400 million — and 18 banks have agreed to underwrite the eight-year loan at half a point over Libor. Japanese banks are taking a third of the total.

Italy's electricity utility ENEL is seeking \$300 million. The major surprise in this transaction is that Deutsche Bank, long absent from the market, is the lead manager.

Aked whether this represented a return to a more active role in the market, a Deutsche Bank official said: "You can say we're selectively back in the market."

ENEL will pay half a point over Libor for the first six years and ½ over for the final two years as well as a front-end fee of ¾ percent.

The utility had been expected to seek \$500 million and there was some talk in the market that it may shortly issue \$200 million of floating rate notes.

Still awaited is the \$450-million loan for Spain, which is seeking a split margin of ¾ ½ over for the prime rate for the first five years and 25 basis points (100 equal one percentage point) for the final five years. A syndicate of Japanese and Spanish banks is reported to be willing to meet these terms, but U.S. and other European bankers shudder at the loan bearing such terms could not be syndicated.

Judge Edelstein has already called in effect for a congressional investigation into Mr. Baxter's brief role as a consultant to a law firm representing IBM and his failure to disclose it to the Senate at the time of his confirmation hearings. Mr. Baxter himself has asked the Justice Department to examine his decision not to disclose the link.

Nicholas deB. Katzenbach, senior vice president and general counsel for IBM, issued a statement Friday saying, "There is no authority or justification for these orders. The case is over; it no longer exists. I don't know if there ever will be a hearing or not on April 8." Mr. Katzenbach is a former attorney general and undersecretary in a previous case.

Further north, Danish Export Finance Corp. is borrowing \$150 million for six years, paying ½ point over Libor. Front-end fees, which lead manager Bank of America would not spell out, raise the total cost of the loan to slightly more than the Danish government just paid (¾ point over Libor for five years and ½ point for the final three years). The Export Finance Corp. may also be used as a backup facility for the sale of commercial

(Continued on Page 19, Col. 4)

CURRENCY RATES

Interbank exchange rates for March 19, 1982, excluding bank service charges.

S.	E.	D.L.	F.F.	N.L.	Gdr.	S.F.	D.K.
2.634	4.731	110.11	21.385	2.19	17.081	5.849	120.165
4.451	6.625	18.85	3.612	—	22.972	5.58	—
4.295	—	—	3.632	—	22.972	5.58	—
1.0203	—	—	11.795	2.285	4.222	8.61	14.585
1.1725	2.2645	—	21.13	—	22.32	67.19	162.69
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
1.8945	3.1357	70.25	16.12	8.145	2.27	4.225	72.35
1.8957	3.0587	2.2984	4.292	120.04	2.044	43.142	1.9108
1.8949	3.1199	2.26919	4.2992	149.20	2.032	51.199	2.1277

Dollar Values

(\$1 = £0.7319; \$1 = 14.585; \$1 = 102.03; \$1 = 1.1725; \$1 = 1.8945; \$1 = 1.8957; \$1 = 1.8949)

Japan Says It Will Ease U.S. Trade Rift

By Tracy Dahlby
Washington Post Service

TOKYO — Foreign Minister Yoshiro Sakuruchi has said Japan is set to enforce a more sweeping round of steps to open its markets to foreign products prior to the June economic summit in Paris and will support new Reagan administration initiatives toward Central America and the Caribbean by boosting its economic aid to the region.

In an interview Saturday shortly before his departure for high-level talks in Washington, Mr. Sakuruchi, 69, appeared to set the stage for attempts to reaffirm the mostly friendly ties with Japan's key Pacific ally that have been badly frayed as a result of the country's burgeoning trade surplus with the United States.

Mr. Sakuruchi, pointing to the fact that Japan and the United States occupy between them a 35-percent share of the world's total gross national product, said, "The two countries have great contributions to make to the world economy."

He acknowledged that the huge trade gap between the two countries is something that must be resolved and cited the need to further open the Japanese market as a "major problem for which we have the responsibility."

In the background is the record \$18 billion U.S. deficit on trade with Japan in 1981 that has brought dire warnings from U.S. trade officials that the Japanese move quickly to open their markets to more foreign goods or face the enactment of protectionist-oriented legislation now before Congress.

Tariffs Slashed

In a bid to avert a showdown, Prime Minister Zenko Suzuki's Cabinet has recently moved to slash tariffs on some 1,650 items in advance of the schedule agreed under the current Tokyo round of multilateral trade negotiations. (See related article Page 75.)

The action Friday appeared to raise the possibility of reopening the antitrust case, which sought to divide the giant computer company into several units but ended Jan. 8 when the government agreed to drop the 13-year-old suit, saying it was "without merit."

Mr. Stern's motion requested a hearing to scrutinize whether the dismissal was proper and whether William F. Baxter, who heads the Justice Department's antitrust division, was disqualified from deciding the issue because of some work he

International Bond Prices – Week of Mar. 18

Provided by White Weld Securities, London; a Division of Financiere Credit Suisse - First Boston

(Continued on Page 20)

DM STRAIGHT BONDS

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 B.A.I.I. (Middle East) E.C.
 Banco Saudi Espanol SA SAUDESBANK
 Banque Arabe et Internationale d'Investissement (B.A.I.I.)
 Gulf International Bank BSC
 Kuwaiti-French Bank
 Libyan Arab Foreign Bank
 UBAE Arab German Bank
 UBAN - Arab Japanese Finance Ltd.
 Union de Banques Arabes et Francaises - U.B.A.F.

BANQUE ARABE ET INTERNATIONALE D'INVESTISSEMENT (BAII)

March 1982

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 - Arab Turkish Bank
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 Banco Espirito Santo e Comercial de Lisboa - London Branch
 Banco Totta e Acores - London Branch
 Chemical Bank
 Lloyds Bank International Limited
 State Bank of India

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BANQUE ARABE ET INTERNATIONALE D'INVESTISSEMENT (B.A.I.I.)

1.1.1.)

Record for Quarter in Eurobonds

(Continued from Page 17)

Malaysia sold \$250 million of 10-year notes bearing interest at a quarter-point over the London interbank offered rate. Investors can request redemption after seven years and are guaranteed a minimum coupon of 5 1/4 percent.

Ford Credit of Canada made a private placement of \$50 million of 10-year notes with interest set at a quarter-point over Libor.

Allied Irish Banks is offering \$100 million of 10-year floaters bearing interest at a quarter-point over the mean of the bid-offered rate — effectively only 1/4 point over Libor. It also guarantees a minimum coupon of 5 1/4 percent.

Finland's 150 million DM of seven-year paper, priced at par bearing a coupon of 9 1/4 percent,

ended the week at 99 3/4-100% and the recent issues for Sweden and Gare de France, priced at par, were quoted at modest premiums.

Currently our offer is a 100-million-DM, seven-year private placement for the World Bank bearing a coupon of 9 1/4 percent and priced at par.

The remaining issues scheduled to be launched include 200 million DM for the Austrian Kontrollbank on Wednesday, 150 million DM for the Inter-American Development Bank the following Wednesday, 100 million DM for Eurofima and 150 million DM for the Asian Development Bank on April 6.

In the sterling market, Quebec sold \$35 million of five-year notes at par bearing a coupon of 15 1/4 percent. The size of the issue was increased from the \$30 million initially announced.

The World Bank is expected to offer \$100 million of five-year notes this week with the yield pegged at about 14 1/4 percent.

Security Pacific to Sell Notes

LOS ANGELES (Reuters) — Security Pacific Corp. said Friday it will sell \$150 million of three- or six-month discount Euronotes rolled over for a final maturity of seven years. A spokesman said the financing is similar to a revolving credit arrangement but will be sold to institutions or corporations.

It did not find, however, that Procter & Gamble had violated any expressed or implied warranty on the product, which was the third charge in the suit.

No did the jury award medical expenses, actual damages or punitive damages to Deletha Dawn Lampshire, 18, a University of Denver student who said she became ill with toxic shock syndrome in May, 1980, several days after using Rely tampons. She and her parents had sought \$25 million in damages.

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It was the first trial of more than 400 cases filed against Procter & Gamble asserting that Rely caused the disease. The company took the tampons off the market in 1980.

Norwegian Sees Demise of World Aid Concept

The Associated Press

OSLO — After years of talk, the concept of a new world economic order to help poorer countries is dead for lack of interest among industrial nations, a former Norwegian defense minister has said.

But the former official, Thorvald Stoltenberg, told a seminar sponsored by a group that favors distributing global wealth that such a redistribution could take place through regional and bilateral efforts. As a start, he said, the governments of the Nordic countries and the Netherlands should start direct economic cooperation with the black African states bordering South Africa.

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New York Times Service

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Record for Quarter in Eurobonds

(Continued from Page 17)

Italy's development agency Isewiem is raising \$75 million through a seven-year floating rate note with interest set at the standard quarter-point over Libor. Of note, however, is the minimum guaranteed coupon of 11 percent instead of the standard 5 percent offered at par.

Currently our offer is a 100-million-DM, seven-year private placement for the World Bank bearing a coupon of 9 1/4 percent and priced at par.

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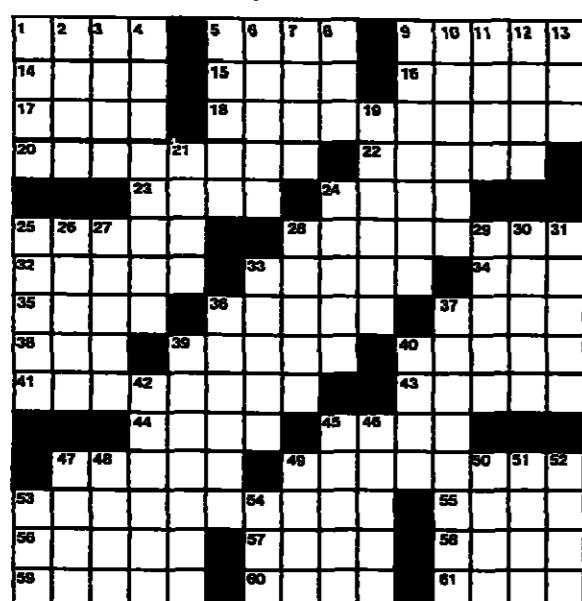
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After nearly 20 hours of deliberation over four days, the jury said Friday that it found the Cincinnati-based company at fault for inadequately testing the Rely tampon and for marketing a defective product.

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No did the jury award medical expenses, actual damages or punitive damages to Deletha Dawn Lampshire, 18, a University of Denver student who said she became ill with toxic shock syndrome in May, 1980, several days after using Rely tampons. She and her parents had sought \$25 million in damages.

Thomas Calder, the lead attorney for Procter & Gamble in the case, said, "We are disappointed with anything that is not a complete vindication of Rely, and we're reviewing our options." He

CROSSWORD *Edited by Eugene T. Maleska*

ACROSS

- 1 What some gliders do
- 5 Nothing more than the eye fixes
- 9 Butter substitute
- 14 Infamous alliance
- 16 Slender candle
- 17 Wicked
- 18 Ponder and Pensive
- 20 Snack named for an earl
- 22 Mailed
- 23 Frequent entree
- 24 Large land mass
- 25 Disrobe
- 28 Caught in a misdeed
- 32 Place often visited
- 33 Challenges
- 34 Roman greeting
- 35 Feudal toller
- 36 Bobby Orr was one
- 37 Locales
- 38 "Dulce et decorum"
- 39 Thick pieces
- 40 Large nail

DOWN

- 41 Confident
- 43 Kitchen gadget
- 44 Numerous
- 45 Ciatrrix
- 47 Flavorless
- 49 Describing some TV sets
- 53 British cream
- 55 Twofold
- 56 Worn away
- 57 Fox terrier of films: 1934-47
- 58 Peeves
- 59 Lessened
- 60 Lone Ranger's trademark
- 61 An Amerind
- 62 Bladed tools
- 63 Edison's middle name
- 64 German negative
- 65 Bonanza
- 66 "West Side Story" girl
- 67 Precise
- 68 Abundant
- 69 Compass direction
- 70 Some are tall
- 71 British airport runway
- 72 Church section
- 73 Marsh growth
- 74 Vocalized pauses
- 75 Expedite

P E A N U T S

THIS IS MY REPORT ON OUR FIELD TRIP AMONG THE TREES...

FIRST WE BOARDED THE BUS THAT TOOK US FOR A RIDE THAT WAS THE MOST MISERABLE, BORING, SICKENING, PAINFUL, UNCOMFORTABLE...

MA'AM?

OKAY, ABOUT THE TREES...

B.

DINCKER-HUMP



WHAT A 'ROCK STAR' NAMED AL BROWN CHANGES HIS NAME TO, WHEN 'HUMPERDINCK' IS ALREADY TAKEN.

B L O N D I E

DAGWOOD, YOU SHOULD ALWAYS WORK HARD

REMEMBER, HARD WORK PAYS OFF

HOW DOES IT PAY OFF?

THE HARDER YOU WORK, THE MORE MONEY I MAKE

B E E T L E B A I L E Y

BEETLE! WAKE UP!

OKAY, OKAY, I'M AWAKE

LOOK AT THIS... AWAKE 5 SECONDS AND GOOFING OFF ALREADY

A N D Y

DON'T START, MOTHER, I'VE GOT TO GO AN CLEAN THE PIGEON COOP

ALL I'M SAYIN' IS, HE'S NEVER LOVED ANYONE BUT HIMSELF

OH, I WOULDN'T SAY THAT, MUM - HE LOVES HIS PIGEONS

W I Z A R D o f ID

PUTTING 'MONSTERS' IN YOUR HOAT WAS SHEER GENIUS, SURE!

THANK YOU NO ONE CAN POSSIBLY GET TO YOU WITHOUT FIRST DOING BATTLE WITH THEM!

WHAT EVER GAVE YOU THE IDEA? MY DOCTOR'S RECEPTIONISTS

R E X M O R G A N

WHEN REX MORGAN RECEIVES ANOTHER CALL FROM BETSY COLE COMPLAINING OF CHEST PAIN, HE DECIDES HE HAD BETTER SEE HER AGAIN!

I'D RATHER MAKE THE CALL THAN WORRY ABOUT MISSING A DIAGNOSIS!

HAD YOU BEEN EXERTING YOURSELF IN ANY WAY, MRS. COLE?

D O O N E S B U R Y

GOOD MORNING, PRESIDENT KING'S OFFICE!

OH, HI, GEORGE! NO, I'M SORRY, HE'S NOT IN. HE WENT DOWN TO BUSHWEST TO TESTIFY ON THE PROPOSED STUDENT AID CUTS.

NO, I DON'T THINK HE'S TOO WORRIED ABOUT IT. YOU KNOW, THE SENATE - IT'S STILL LIKE A BIG MEN'S CLUB.

JUMBLE

THAT SCRABLED WORD GAME
by Henri Arnold and Bob Lee

UPTIL

T O L L I P

LAHCK

C H A L K

EXGONY

B X @ G E N

REQUIV

Q U I V O R

Print answer here: Q U I V O R

(Answers tomorrow)

Saturday's Jumble: ARRAY PIPER SECOND BUSHEL

Answer: What she said baking a good dessert was—

EASY AS PIE

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

ANSWER

QUICKLY

Louisville, Georgetown Gain NCAA's Final Four

From Agency Dispatches

BIRMINGHAM, Alabama — Louisville and Georgetown advanced to the final four of the National Collegiate Athletic Association basketball tournament with convincing regional-final victories Saturday.

In the MidEast division here, Louisville defeated the University of Alabama-Birmingham, 75-66, while Georgetown routed Oregon State, 69-45, in the West final at Provo, Utah.

When Louisville was in a mid-season UA-B slump and Cardinal fans were clamoring for Coach Denny Crum to stop playing so many people, he decided then that the NCAA tournament was more important than his regular-season record. Crum's stubbornness UA-B paid off when Cardinal substitutes outscored their UA-B counterparts, 51-46, and were the decisive factor Saturday.

"We can't play much better than we are," said Crum despite his team's sloppy ball-handling.

"When we shoot 60 percent, I can't complain about that."

When starter Wiley Brown was let in, he substituted with sophomore center Charles Jones. He responded with

huge recruiting job during the past half-decade. No other NCAA tournament team can go nine deep and still be putting a high school all-American on the court, one reason he says he doesn't worry "about whether I'm bringing in too many players or not. If they don't like how we do things here, they can leave."

No Cardinal is about to leave now, not after the way Crum has let his team mature despite once having a 12-8 record, hardly an encouraging sign for an eventual tournament bid. They now are 23-9.

When starter Wiley Brown was let in, he substituted with sophomore center Charles Jones. He responded with

a team-high 19 points, including 11 over the last seven minutes.

The Cardinals usually win because of their quickness. That wasn't the case against UA-B, which lives and dies on speed and jump-shooting. The game's quick pace forced 22 turnovers, but the Blazers' shooting accuracy slipped to 45 percent.

"We can't play much better than we are," said Crum despite his team's sloppy ball-handling.

"When we shoot 60 percent, I can't complain about that."

When the Cardinals were slumping some weeks ago, they also were having difficulty making foul shots, a weakness Crum contends cost them at least four games. But when UA-B fouled, out of despera-

tion down the stretch, Louisville made 10 straight free throws, including six in a row by Jones, who averages five points a game.

Strong rebounding (Louisville was plus-seven Saturday) and defense, especially in the second half against high-scoring Oliver Robinson (20 points, 14 in the first half) were more reasons the Cardinals ended UA-B's 12-game winning streak. It was only the Blazers' second home loss in three years.

"We got into a little bit of foul trouble and we weren't able to play as much man-to-man as we wanted," said losing Coach Gene Bartow.

There were two particularly important parts in the game, which

was not especially well played, although its pace was a spectator's delight.

The first came late in the opening half, with UA-B ahead, 30-29, after causing three turnovers. The Cardinals, playing with three substitutes, scored 11 straight points to lead, 40-30, as UA-B went through a stretch in which it made only one of nine shots.

An unusual foul call also aided Louisville. Robinson and the Cardinals' Derek Smith collided and both fell to the floor. Smith tried to get up, but Robinson was lying on his arm. Finally the Blazer guard was tagged with the personal, which led to two more points by Louisville.

"He was laying on me and I tried to nudge him off and he wanted to stay close to me," said Smith, who had 14 points despite a blow to the jaw early in the second half. "It was a good call."

But UA-B quickly wiped out Louisville's 40-32 half-time lead by coming out in a full-court press and benefiting from the speedier tempo. Even with Chris Giles, its best rebounder, on the bench with four fouls, UA-B led, 54-52, with 7:32 left.

Turning It On

That's when Jones, a 6-foot-8 sophomore who started earlier in the season before being injured, started to turn it on. He made a lay-up despite being hit hard by Donnie Speer. After a fast-break lay-up by Rodney McCray, Jones converted Lancaster Gordon's fine pass into a powerful dunk. Robinson countered with a jumper, but an eight-footer by ninth man Milt Wagner, a freshman, and Gordon's long-range field goal had Louisville up by eight.

Once the Cardinals got ahead, it became a matter of how well they could shoot free throws. They missed their first five easier in the half, but when UA-B crept within two near the end, Louisville converted.

"Their bench was near-perfect, they were superior," Bartow said of Louisville's replacements, who include Scooter McCray, a starter earlier in the season, and senior Poncho Wright, a jump-shot specialist. Along with Jones and Wagner, they made 11 of 14 shots and had nine rebounds. UA-B's subs made two of seven shots and three rebounds.

The last time the Cardinals were in the final four, Darrell Griffith carried them to the national title. This time, they have no similar superstar player — just lots of good ones.

"We just turned the ball over to Darrell and we filled in," guard Jerry Eaves said.

"With this team, it's different. We all need to do more things. You just never know who is going to play the biggest role from game to game, that's all."

The Associated Press
Irish flyhalf Ollie Campbell, right, arrives to help tackle French flyhalf Jean-Patrick Lescarboura.

French Ruggers Thwart Irish, 22-9

By Bob Donahue

International Herald Tribune
PARIS — France, reinforced up front by a hard trio of recalled veterans, outbattled and ultimately outplayed Ireland in rugby here Saturday, winning comfortably, 22-9, by two tries, a conversion and four penalty goals to the three penalty goals that Ollie Campbell managed in six attempts.

Any of those three missed penalties, or the dropped goal Campbell attempted early in the second half when his forwards were making a last desperate effort to tame the French pack, would have taken the Irish star's points this year past the Five Nations championship record of 40 that he set two years ago. He ended with 40 again.

That was irrelevant. Unbeaten Ireland, going for its second grand slam ever and its first in the lifetime of its oldest player Saturday, was "well beaten," as coach Tom Kiernan put it. Thrice-defeated France revived with a vengeance at the annual championship's final day.

Versions

There were two versions of what happened — the match picture that emerged from the routine testimony of players and officials, and a compatible but half-conjectural tale that had Saturday night's banquet hall buzzing.

The conjecture was that some fishermen were only moderately hungry for victory, despite a heavy media buildup and such solemnities as the conveying to Paris from its present home in Zambia of Jack Kyle, a star of the 1948 team that achieved Ireland's one and only grand slam.

As soon as the team arrived at its hotel Thursday night, senior forwards headed off into the Paris night. Friday morning, at the plateau hotel far out of the city where the French players were clustered, French officials told them that Irish forwards had run foul of the Paris police in a tussled-up tangle shortly before dawn. (Independent confirmation was obtained Saturday from a source in the nightshift district of St. Germain-des-Prés.)

Friday came an announcement that Willy Duggan, the 6-foot-3, 32-year-old No. 8 whose combativeness and world-class still were a special worry to the French team, was out of the match with a fractured wrist bone. The official explanation was that the injury occurred in training Thursday before the team left Ireland.

After beating Wales and England this year, Ireland's 21-12 defeat of Scotland a month ago completed its first sweep against British Isles teams since 1949. That "triple crown" and the grand slam, Kiernan acknowledged after Saturday's match, had been the "prime objective."

So much for preliminaries. On the field, the French, badly need-

ing a victory to save their season, won the forward battle of punch, might and intimidation. In the scrums, the victory points duly followed as Ireland's forwards succumbed in the second half.

The first action after France kicked off was a French scrum within dropkicking range for flyhalf Jean-Patrick Lescarboura. While he tried and missed, the explosive scrum erupted in fighting.

The penalty was against right prop Gerry McLoughlin, and left wing Serge Blanco kicked it for France.

Better Running

Ireland's captain, hooker Ciaran Fitzgerald, soon needed two injury stoppages, but 20 minutes were gone before Campbell got a first penalty shot. He missed, from just over 50 meters, but then connected from 30 when French hooker Philippe Dintans was penalized in the second half's 18th minute — put the ball in the lead for France.

As the Irish scrambled to score before confidence jolted through the French team, a pass from flanker Fergus Slattery intended for Campbell, went to ground when right wing Michel Fabre attempted an interception. For Fitzgerald, that failure when a score was badly needed, followed instead by points for France — when Gabernet kicked a penalty in the second half's 18th minute — put the ball in the lead for France.

It's hard for the players mentally," Fitzgerald said, "when you're not getting the scores and you're on the receiving end."

Was Duggan missed? "We obviously missed his physical strength," the captain said. "It's the likes of Willy you need on there." (He vigorously confirmed the official explanation of Duggan's injury.)

But Fitzgerald was worried. The important business was being done in the dark of the scrum, and he told his men they would have to do their part of it better. The two halves huddles disbanded, leaving two strewings of orange peels — smash between which, now, Ireland's kickoff led directly to a French scrum in the middle of the field.

"They were transformed," French left prop Pierre Dospital reported later of the Irish in that scrum and the next one. "But we matched them." For the two front rows, the suspense was over and domination established. What remained was the matter of putting points on the board, which still showed Ireland ahead.

"It feels," the 220-pound Pamparibe chirped after his shower, "just like winning the grand slam again."

From a lineout won, as often, by

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Props Dospital and

Language

Cari-BE-an Initiative

By William Safire

NEWS YORK — The scene is the Roosevelt Room of the White House, filled with pictures and plaques of the two Presidents Roosevelt, across the hall from the Oval Office. It used to be called the Fish Room, after Secretary of State Hamilton Fish, but visitors kept looking for the aquarium, so the name was changed during the Nixon administration.

He uched around the table are a passel of pundits, being briefed on the president's "Caribbean basin initiative" by Special Trade Representative William Brock, Assistant Secretary of State Thomas Enders and a guy from the National Security Council whose name I missed.

I went straight for the jugular, pointing to a dichotomy in the administration's approach: How come the STTR pronounced it "Cari-BE-an" and State said "Car-RIB-e-an"? "Both are correct," said Enders instantly, taking the classic State Department position, which holds that no disagreement exists and nothing ever represents a change from the previous statement.

"Tomorrow I get to say 'Car-RIB-e-an,' and he has to say 'Cari-BE-an,'" replied Brock, relaxed and capable of greater political insight under severe questioning.

Although both are correct — even the State Department gets it right now and then — the preferred pronunciation is Cari-BE-an. The word comes from an Indian people — the Carib — with the accent on the first syllable, sounding much like "Arabs." In the 15th century, members of the Caribbean tribes dominated northern Brazil and the north coast of South America, and were in the process of taking over the Greater Antilles when the Spaniards arrived and intervened.

Christopher Columbus heard them called Carib in Haiti and Caniba in Cuba; their propensity for eating their enemies fed to the word "cannibal." In both cases, the accent was on the first syllable; later, the Caribs were also called the Caribeans, making a great case for preferring Cari-BE-an.

THE emblazonment of misused sex terms across the covers of U.S. magazines continues.

When the newly rejuvenated Harper's magazine was seduced by "courtesan," its editor was subjected to excommunication. Now Time magazine has gotten itself impregnated with error.

"Time's cover of Feb. 22," writes Mary Kay Pennotti-Byron of Tuxedo Park, N.Y., "maligned Charlie's poor angel Jaclyn Smith. How ungracious to call her an expectant actress. No matter what they think of her talent, she is an actress by profession. And of all times to get her upset! Their cover clearly shows she's pregnant."

In its story on "The New Baby Boom," Time presented a photograph of actress Smith joyfully holding her hands on the baby developing in her body. The only problem was the caption: "Expectant Actress Jaclyn Smith."

Smith is indisputably expectant — that is, she is expecting to have a baby. It is accurate to describe her as "expectant" if that adjective is left to stand by itself, because the word has become the most recent euphemism for "pregnant." It is less arch than the French *enceinte*.

"We went with 'expectant actress,'" says Ray Cave, the managing editor of Time, "because according to our Webster's Third New International Dictionary, 'pregnant' is the first definition listed for 'expectant.' It is therefore not an incorrect usage."

I think the usage was conceived in error. When you are an expectant mother, you are pregnant; when you are an expectant father, you expect to become a father; when you are an expectant actress, you expect one day to become an actress. "Expectant" means "pregnant" only when the noun following — spoken or understood — is "mother." When the noun that "expectant" modifies is anything else — actress, heiress, magazine editor — the meaning of pregnancy vanishes and the more general "expects to become" takes over.

Well, the permisivist might say, everybody understands that the phrase "expectant actress" accompanying a woman wearing a tinkle-like dress is intended to mean "pregnant woman who is an actress." Reply: If so, why not say "pregnant actress"? Why invite ambiguity?

New York Times Service

Miles DavisBy Michael Zwerin
International Herald Tribune

PARIS — Miles Davis has been called Prince of both Darkness and Silence. He once said: "I have to change. It's like a curse."

The enigmatic Davis is known for caustic putdowns, turning his back on the audience, showing up late or not at all, refusing to play encore, driving fast cars, being a clothes horse, womanizing, getting in trouble with the law and his financial negotiating prowess. He can be something of a tyrant with his musicians. And he is known for changing.

Ian Carr's "Miles Davis, A Critical Biography," published recently by Quartet in London, reveals Davis, who will be touring Europe next month, to be a more complex and sympathetic character than his public image. He comes across as proud, brave, loyal and smart, although it is obvious that Carr, a jazz trumpeter with a degree in English literature, is a Miles Davis fan.

Started on Violin

Miles Dewey Davis was born on May 25, 1926, in Alton, Ill. His father was a successful dentist who had a 200-acre farm near East St. Louis. He played violin first and then trumpet and in high school his teacher taught him to play without vibrato, saying: "You're gonna get old anyway and start shaking."

The bourgeois teenager went to New York to study at Juilliard and spent "my first week there and my first month's allowance looking for Charlie Parker." He dropped out of Juilliard and joined Parker's quintet when he was 19. Although he struggled with range and speed at first, it was clear that Parker had discovered someone who was, in the words of author James Baldwin, "a miraculously tough and tender man."

Davis began to look for alternatives to what Carr calls the "frenetic excess of bebop." He quotes Davis: "It's just like clothes. All of a sudden you decide you don't have to wear spats and a flower."

In 1949 Davis formed a nonette which came to be called "The Birth of the Cool." His tough and tender music spawned the West Coast school of jazz, and established Davis as a personali-

ty apart from Parker. The Cool grew up with Davis and arranger Gil Evans teamed to record "Sketches of Spain" and other big band albums such as "Miles Ahead," which illustrated that intelligent jazz could sell.

He began to win critics' polls and Down Beat readers voted him "Jazz Personality of 1959." One club owner told him: "The trouble with you is that everybody likes you, you little son of a bitch."

Getting More

Davis knows how to get more from his musicians than they think they have. "Don't play what's there, play what's not there," he would tell them; or "Don't play what you know, play what you don't know." His bands were elite schools for future stars like Keith Jarrett, Herbie Hancock, John McLaughlin, Wayne Shorter, Bill Evans, Tony Williams and, of course, John Coltrane.

Coltrane and Davis made the perfect team in the late '50s and early '60s, the former's sheets of sound contrasting organically with Davis' space. Towards the end of the tenor man's stay with Davis, Coltrane was searching for his own personality and began to play longer and longer solos, sometimes for an hour in the middle of a set that was supposed to be only 45 minutes.

Davis once asked Coltrane: "Man, why don't you play 27 choruses instead of 28?" Coltrane answered: "I get involved in this thing and I don't know how to stop." Davis said: "Try taking the saxophone out of your mouth."

Periodic Refinements

Davis is known for his periodic refinements. He once explained: "I'm retired now because I don't do nothing unless I want to." He would closet himself in his West Side townhouse for weeks at a time, surrounded, it was rumored, by a bevy of beautiful women. He would write, reflect, brood.

For Davis being a superstar was every bit as important as playing music and by the late '60s he saw that he was going to have to make some accommodation to rock if he wanted to keep that status. He said: "I think I

A Fusion of Musical Tension, Birth of the Cool, Green Trumpets and Periodic Bouts of Brooding

The Miles Davis Way

can put together a better rock 'n' roll band than Jimi Hendrix."

Keyboardist Joe Zawinul wrote the title tune to Davis' 1969 jazz-rock album "In a Silent Way." It was a complex tune with many chords, much too busy for the Prince of Silence. Davis told John McLaughlin to "play it like you don't know how to play the guitar." And finally the recorded version has only one chord.

His fusion music was austere ("E-flat for four hours" as saxophonist Dave Liebman once put it), subtle ("It's not the note you play, it's what you do with it," said Davis) and sometimes forbidding over the rock beat. The power of the boiling cauldron of electronic sound Davis invented came from its interaction of variation and repetition, of aesthetic and physical elements. And he understood the theatrical element of rock. He started to play

Last Thanksgiving Day, Nov. 26, he married actress Cicely Tyson, with whom he has had a relationship off and on for years. The ceremony was performed by Atlanta mayor-elect Andrew Young at the home of comedian Bill Cosby. Davis is at the top of the black artistic aristocracy.

Gil Evans explains how he got there: "Miles is not afraid of what he likes. A lot of other musicians are constantly looking around to hear what the next person is doing and worry about whether they themselves are in style. Miles goes his own way."

Miles Davis: Stockholm, April 13-14; Hamburg, April 17; Frankfurt, April 18; London, April 21-22; Milan, April 25-26; The Hague, April 28; Amsterdam, April 29; Paris, May 2-3; Bordeaux, May 6.

Letter From Italy

The Greening of RomeBy Louis B. Fleming
Los Angeles Times Service

ROME — The "Greening of Rome" is being accelerated in an effort to prevent asphalt and concrete from displacing what is left of the gardens and open fields that once characterized the center of the city.

More areas given over the nature are needed to satisfy "a physiological and psychological need of citizens," Luigi Celeste Angrisani, the city commissioner in charge of gardens and parks, said.

Angrisani's office is dominated by a giant azalea that was in full flower the other day. Its delicate pink blossoms a happy distraction from the dismal view of one of those raw sections of Rome that proves his point about the need for open space.

"But it will happen," Angrisani said. "We are going to win."

Already the street is closed on Sundays and holidays to admission straining Romans to the joy of not sharing the area with cars, trucks, buses, motorbikes and scooters.

"Fools, imbeciles," Angrisani muttered, referring to those who favor parking spaces over paved plants.

He is determined to resist any move to "Americanize" Rome with freeways.

"That is the way to make a city die," he said.

He wants the parks to incorporate many concepts of recreation, always with places for refreshment — coffee, ice cream, pastries, sandwiches — but also with music, pony rides, merry-go-rounds, grazing wild animals if there is space, and electric carts for old people if the area is large.

The biggest problem is money. The transformation of the Plaza Venezia cost only about \$12,000, but millions are needed to make all the dreams come true.

"We have not received our appropriation for this year," Angrisani said. "But I have no doubt that the city will continue this work."

100 Hurt in Japan Quake

United Press International

TOKYO — An earthquake measuring 7.3 on the open-ended Richter scale hit northeastern Japan Sunday morning. Police said more than 100 persons were injured. The hardest-hit area was Uragawa, a fishing town on Hokkaido, where the earthquake split open streets.

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